

**The Evolution of Hong Kong as a Regional Movie  
Production and Export Centre**

by

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## Preface

My interest in movies began in my childhood, when Cantonese dialect movies still dominated the television screen and viewing them was a popular form of entertainment at that time. These movies accompanied the growth of people in the generation to which I belong and played an important role as a socializing agent. As Hong Kong underwent immense political, economic and societal changes in the past four decades, locally-made Cantonese dialect movies became valuable cultural legacies, having witnessed the development of this city and serving as a window through which one may understand the historical and societal development of this city.

Nevertheless, to many people, Hong Kong is simply 'a city of borrowed time and space, a place to make money and pass the time', and the past is 'disposable' in this city. It is regrettable that these Cantonese dialect movies, which form an important part of our cultural legacy, have never been properly preserved or archived and many of them have been treated and dumped as litter.

This thesis is therefore a tribute to the Hong Kong movie industry. After doing research for this thesis, I come to realize that the prosperity of the Hong Kong movie industry is by no means coincidental. Rather, it was the fruit of incessant labour and efforts of successive generations of people engaged in the movie industry to overcome adverse market conditions and actively explore overseas markets. In fact, this enterprising spirit of our movie-makers not only contributes to the Hong Kong movie industry but also, in their own way, the economic success of this 'Little Dragon' as well.

I have to thank various persons for their assistance and advice rendered to me in the course of writing this thesis. I am greatly indebted to my project supervisor, Dr Joseph Man Chan, despite his heavy workload in the department, who has given me invaluable advice and guidance in the course of study. I would also like to express my deep gratitude to my work supervisor, Mr Andrew K C Kwong, for allowing me to take regular leave during office hours to attend classes for this degree and his generous comments rendered to this research project. I have to thank each and every one of my lovely classmates for bringing me happiness during those not-so-interesting seminars, and, for the sweet memories gathered over the past three years. Last but not the least, I must thank my husband, Richard. But for his encouragement, I would not have enrolled on this course and without his support, I would not have been able to complete my study within such a short period of time.



## ABSTRACT

Throughout the last four decades, Hong Kong consistently remains one of the largest movie production and export centres in the world. She is always ranked among the first five positions among movie production leaders in the world and for a while during the mid-1960's, her volume of production was even at the top of the world. Besides, she is also a regional export centre by selling the movies to more than 90 countries in the world at one time. In a few countries, her market shares are even as large as those of Hollywood movies. It is no wonder this city is reputed to be the 'Hollywood in the East'.

This study traced the development of Hong Kong movie industry by focusing on the process of her evolution into a regional film production and export centre. The whole investigation adopts a longitudinal approach and is divided into three parts: firstly, a statistical analysis, which will establish the proclamation that Hong Kong is a regional movie production and export centre; secondly, a socio-historical review, which will examine the evolution process of the Hong Kong movie industry throughout the previous decades; and finally, an analytical framework, which will attempt to take account of the major factors that contribute to Hong Kong's success as a movie production and export centre.

Despite that Hong Kong lacks some of the contributing factors crucial to the development of a movie industry, like substantial audience base, government subvention and prolonged history of development, the experience of Hong Kong illustrates that a commercial-based movie industry is able to survive without any form of government support but solely depends on the struggle of the private sector. Although there are multiple factors or forces accounting for the success of Hong Kong as a movie production and export centre, the core of her prosperity can be attributed to the industry's drive for profit making, its ability to overcome the limitations on internal market by including all overseas Chinese as the target audience, and its flexibility to produce commercially attractive movies to sustain both the internal and overseas markets.



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## Chapter 1: Introduction

For four decades Hong Kong has remained consistently one of the largest movie production and export centres in the world. The average annual number of movies produced by Hong Kong is just behind that of United States, India and Japan respectively and Hong Kong is always ranked among the top five movie production countries or cities in the world. For a while during the mid-1960s, the cinemagraphic footage produced in Hong Kong was even at the top of the world, with more than 500 movies produced, according to the Annual Report of Hong Kong<sup>1</sup> in 1973. Even in the 1990s, while the movie industry in major production countries like the US, Japan, Italy and so on are threatened by the penetration of videos and sophisticated development of television programmes, the movie industry in Hong Kong seems to be immune from this worldwide threat. The production activities continue to be prosperous in recent years and set another record by producing 376 feature movies in 1992<sup>2</sup>.

Not all movies in this huge volume of production are intended to be exhibited in the domestic market. Actually only part of them are shown in Hong Kong. Most of the Hong Kong movies are produced to cater for overseas markets. During the heyday of the Hong Kong movie industry, movies were exported to over 90 countries all over the world. The number of her overseas markets is comparable to that of Hollywood. In some countries, her market shares even match the Hollywood's. It is also interesting to note that other movie production leaders like India and Japan could not match Hong Kong in terms of movie export. Some says that the commercial value of the movie industry in Hong Kong only seconds to the

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<sup>1</sup> 'Press, Broadcasting and Cinema', Hong Kong Annual Report 1973, p.151.

<sup>2</sup> 'Communications and the Media' in the Hong Kong Annual Report 1993, p.307.



Hollywood<sup>3</sup>. It is no wonder this city is reputed to be 'Hollywood in the East'.

Notwithstanding the significant annual volume of movie production and export, it is fascinating to note that the objective conditions of Hong Kong for movie production and export are not as favourable as those of her competitors.

Firstly, the history of the development of movie industry in Hong Kong is relatively short and less sophisticated if compared with other regions. After Japan and the USA had developed their movie industry for nearly four decades, the movie industry in Hong Kong just began to grow in the 1930s on a small scale. Most of the countries in the Third World faced a similar situation as their movie industries developed late. Most of these countries turned out being dominated and penetrated by the quality and hi-tech movies from Hollywood. Few of the primitive movie industries could compete with Hollywood in terms of productive force and investment level(Armes 1987:36). In contrast, the success of Hong Kong movie industry within such a short period, both in the domestic market share and overseas export, is outstanding.

Secondly, the size of the local audience, when compared with the US, Japan and India, is minute and is not conducive to a prosperous movie industry at all. Hong Kong has only 6 million or less of residents. Even though it has the highest rate of cinema attendance<sup>4</sup>, her population base is too small to keep the movie industry flourishing for four decades. There are 249 million people in USA, 124 million in Japan and 873 million in India, and the huge volume of movies produced by these world leaders are well supported by their domestic markets. How Hong Kong's movie industry can develop with such a small population becomes an intriguing question.

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<sup>3</sup> 王 恆：〈電影最倚重的是人〉《信報》1993年5月24日，頁28。

Wong, H (1993): 'The most important element in movie is people' in Hong Kong Economic Journal, May 24, p.28.

<sup>4</sup> refer to the 'Comparative statistics on Annual Attendance per Inhabitant', UNESCO Statistical Yearbook 1972-1991.



Finally, the resources for movie industry development, in terms of capitals accumulation, skilled labour supply and professional training, are very limited if compared with other developed countries or world production leaders. The prosperity of the movie industry of Hong Kong had taken place long before the economy took-off. Therefore, little capital could be accumulated to develop this entertainment business from the society. Concerning the skilled labour supply and professional training, only one out of seven tertiary institutions provided an undergraduate programme for movie studies. The development of other supportive resources centres like movie archive or library are still at a primitive stage. Among the world production countries, the government of Hong Kong has the least participation or involvement in cultivating the local movie industry. The international expansion of American movie business has been actively encouraged and backed up by the US government<sup>5</sup>. Some state governments in India have assisted in developing their own regional movie production by way of low-interest loans and subsidies to eligible entrepreneurs, for infrastructure such as studios, labs, recording and dubbing facilities and so on. The Japanese government supports the movie industry through setting up foundations to encourage cultural exchange and through international movies festivals to promote movie appreciation (Lent 1990:59). Research shows that other leading movie producers in the world also have similar forms of subventions or subsidies from their respective governments<sup>6</sup>.

Despite these unfavourable conditions, the movie industry of Hong Kong enjoyed a lengthy prosperity and achieved a worldwide distribution network that can be envied by her competitors. The outstanding performance of the Hong Kong movie industry is unprecedented which provides an interesting case for investigation.

In the forthcoming sections, I shall examine the evolution process of Hong

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<sup>5</sup> Guback, Thomas (1974): 'Film as International Business' in Journal of Communication, 24:1 (Winter), p.93.

<sup>6</sup> 羅維明：〈十五億台幣的振興台灣電影事業方案〉《電影雙周刊》第309期，1991年1月31-2月10日，頁40-47 Law, W M (1991): 'A proposal to boost Taiwan movie industry by NT\$ 1.5 billion' in City Entertainment, No.309, Jan 31 - Feb 10, p.40-2.

Kong as a regional movie production and export centre. I shall first review various theories concerning the study of media industry and their applications to the development of Hong Kong movie industry, with particular reference to the non-Marxist theories. Then, I shall outline my research question and propose my research design and a method of study. Secondly, I shall examine the evolution process of Hong Kong movie industry throughout the previous decades from the statistical and socio-historical perspectives. Thirdly, I shall propose an analytical and structured framework to categorize the major contributing factors which can account for the success of the movie industry of Hong Kong. Finally, I shall attempt to relate the analyses to project the future development of the Hong Kong movie industry.



## Chapter 2: Theoretical Review and Method of Study

### i) An Anomaly to Media Imperialism

Traditionally there are two major schools of thoughts accounting for the development of media industry. The first approach consists of the cultural imperialism (Schiller 1976; Murdock and Golding 1977; Salinas and Paldan 1979), media imperialism (Boyd-Barrett 1977; Lee 1980; Feje 1981) and dependencies theories (Frank 1969; Wallerstein 1974). These scholars based on Karl Marx's explanation on development and derived different sets of socio-economic theories on social change. They believed that the world consisted of a disharmony of interests between the centre nations and the periphery or satellite nations. The former corresponded to the developed countries while the latter to the Third World developing countries. The interaction pattern between these two groups of countries was a structured dominance and exploitation in disfavour of the latter. The unidirectional nature or imbalance in international media flows closely corresponded to the stratification of international power arrangements and reflected the dominance of the world powers. It also explained that the underdevelopment in the media industry of the Third World countries was a result of the overwhelming media penetration by the World powers and habitual media dependency of the developing countries.

Roy Armes (1987:37) was a representative scholar adopted a Neo-Marxist approach to account for the relationship of Third World movie industries and capitalism. He noticed that cinema was a widely distributed communication product which was produced only by a small number of Western countries. The inception and development of Western movie industries were closely tied to the profit motive and expressed in and through Western capitalism. He argued that the underdevelopment of indigenous movie industries in Third World countries was a result of over dependent on the Western movies. Therefore, the development of their indigenous movie industries were affected.



When applying this theory to the movie industry in Hong Kong, it was interesting to note that Hong Kong possesses all the conditions conducive to being a victim of media imperialism or cultural imperialism as predicted by the Neo-Marxist theorists like Boyd-Barrett (1977) and Galtung (1980). However, the history of its development shows the contrary.

Being a colony in a political sense, Hong Kong was situated at the 'periphery' of the world power system. Lacking any form of natural resources, Hong Kong depended heavily on other capitalist powers in terms of political support, economic assistance and trading conditions. The classical dependency theorists argued that the periphery cannot develop unless it breaks off from the centre's domination. They also assumed that there were no mechanism for the satellite countries to 'upgrade' themselves into the centre status. These theories in economic dependency have been applied by different scholars in cultural or media dependency. The neo-dependency theory which makes room for the possibility of 'dependent development' (Dos Santos 1970; Cardoso 1972; Evans 1979). However, these studies focused on the economic aspect and little light can shed to the study of cultural or communication industries. Moreover, they give little ideas on the necessary conditions for a dependent development taking place. Therefore, the theory of dependent development still cannot provide a satisfactory account for the evolution of Hong Kong from a periphery movie importer into a regional production and export centre.

The movie industry of Hong Kong took-off in the post war era when she was, as prescribed by Neo-Marxist theorists, at the periphery of the world economic and communication system. She was in a similar position as her Third World counterparts. The indigenous movie industry of these countries began to develop almost at the same time. However, Hong Kong succeeds to save herself from depending on importing foreign movies from the developed countries while her Third World counterparts remain subordinated. The history of Hong Kong movie industry also showed that Hong Kong had evolved into a regional movie export centre as early as the 1950s. Therefore,



the first anomaly to the media imperialism theorists is that even though Hong Kong was situated at the periphery of the global communication center and structurally dependent on the developed countries, she could successfully switch her status from a movie importer to a regional movie production and export centre.

Armes (1987:158) argued that even high level of output did not mean control of the domestic market. In fact, previous statistics did show that the Hollywood pictures consistently dominated 2/3 of the total grosses in the Hong Kong box office before the 1970s<sup>7</sup>. However, it did not follow to the expectation of the Neo-Marxist theorists that the foreign movies controlled the local cinemas and limited the growth of the indigenous movie industry. In contrary, the Hong Kong movies seized back the local market in the 1980s. Therefore, the second anomaly to the media imperialism theorists is that the domination of imported movies in the local market did not necessarily affect the development of Hong Kong indigenous movie industry as well as her rapid expansion of the overseas markets.

The third anomaly is concerned with the government policy. Different studies for media industries showed that state protectionism is important for the survival and growth of the infant mass media industries in developing countries (Schnitman 1981; Lee 1980). However, the Hong Kong government had done nothing to protect nor develop her movie industry. In the first place, the laissez-faire policy of movie trading adopted by the Hong Kong government lets the movie industry develop in an unprotected environment. The US took advantage of this 'open door' policy and colonized most parts of the world with the Hollywood pictures since 1920s. The Hong Kong government strongly adhered to the 'laissez faire' policy and did minimal, except censorship, to prevent the influx of imported movies. As a result, the imported movies, with better quality, dominated the box office of Hong Kong for several decades.

Moreover, even Britain herself had taken advantages of the movie industry of

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<sup>7</sup> Findlay, Ian (1983): 'Hong Kong's Cinema Survives, Despite Soaring Production Costs' in Far Eastern Economic Review, Oct 20, p.62.



Hong Kong. For a certain period of time before 1950s, there was a quota law being set for first and second run cinemas to exhibit British movies at least seven days out of seventy<sup>8</sup>. It was obvious that the colonial government would put the interest of British movies before that of Hong Kong.

As mentioned in the previous paragraph, the Hong Kong government did not have a systematic plan for the development of the media industries. She neither provided financial assistance nor professional guidelines and advice for the development of the movie industry. Compared with the governments in other Third World countries, the Hong Kong government was relatively passive and lacked sincerity to foster the development of local movie industry. The government protection contributed to the survival and growth of the Argentina movie industry. Taiwan's success in resisting 'media imperialism' in the realm of television programming despite heavy political and economic dependency on the US was another example on the need of state protection<sup>9</sup>.

Like the development of media industry in Japan, the case of Hong Kong is another 'embarrassing exception' (Ito 1990:432) to the theories of media imperialism. Notwithstanding the fact that Hong Kong possesses most of the favourable conditions to be a victim of media or cultural imperialism by Western countries, it was astonishing that the movie industry in Hong Kong was not suppressed by Western powers. Instead, the development of the movie industry in Hong Kong progressed at an unexpected speed. Since its growth in the 1930s, Hong Kong has begun to evolve into a regional movie production and export centre in the 1950s. After the 1970s, the local movie industry not only regained the local movie market, Hong Kong also kept on exporting her indigenous movie products to all over the world. Hong Kong's status is not provisional, it has been lasting for decades as a world producer and exporter.

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<sup>8</sup> 'Press, Public Relations, Broadcasting and Films' in Hong Kong Annual Report 1954, p.211.

<sup>9</sup> Tang, W H & Chan, J M (1990): 'The Political Economy of International News Coverage' in Asian Journal of Communication, Vol.1, No.1, p.58.



The above analysis attempts to show that the dependency and media imperialism theories fail to account for these anomalies in the development process and the prosperity of the Hong Kong movie industry.

## **ii) Inadequacies of the theories of international trade**

The second approach to explain the unbalanced international flow of media industry is based on non-Marxist theories. One of the prevailing schools of thought is the classical theory of international trade which argues that the information flows from strong and rich countries to weak and poor countries is a result of free competition among media enterprises (Read 1976; Turnstall 1977; Lent 1990). This theory implies that if developing countries reach a stage where they can produce attractive information products, their level of exportation will increase and their level of importation will decrease (Pool 1977). The amount of volume and direction of international information flows are determined by geographical, cultural, economic and political factors (Ito & Kochevar 1984; Schramm & Atwood 1981). Ito (1990:457) added that the imbalanced international flow of information also reflected the political and economic competition amongst different nations.

The classical free competition theory can explain the success of the Hong Kong movies in the world market as a result of their product success and a strong demand from overseas markets. Lent (1990:90) attributed to the success of the Hong Kong movies to the rich movie traditions, outstanding performance of movie conglomerates, triumph of Kung-fu movie genre and low budget production. However, this theory over-emphasizes the economic aspects like the economy of scale in production and high quality product and underestimate other important factors particularly relating to the media products, like cultural affinity, geographical proximity, media infrastructure and so on. Besides, this theory only suggests a necessary condition but not sufficient condition for the development of the Hong Kong movie industry.

The explanatory model of Ito (1990:437) successfully accounted for the



competitive advantage of Japanese cultural products in the international market. He predicted that the newly developed countries in Asia would follow her route and moved towards the centre of the world media system. He argued that Japanese cultural product was backed up by the growing political influence and prosperous economy of their home country. However, the study of the development of Hong Kong movie industry cannot totally adopt Ito's model.

Being a colony, Hong Kong has little political power in the international arena. Concerning the economic significance, the prosperity of the movie industry in Hong Kong took place in the 1950s and 1960s before her economic take-off. Besides, unlike Japan whose domestic market was large enough to sustain the prosperity of her media industries, the population of Hong Kong is just 6 million, i.e., 4.8% of Japan. It is obvious that this minute audience base is too small to support a rapid growth of the indigenous movie industry, not to mention sustaining a lengthy prosperity that lasts for a few decades. Therefore, the case of Hong Kong movie industry is an exceptional which cannot be accounted by the existing theories.

There are also other Non-Marxist studies accounting the development of the Hong Kong movie industry from different perspectives. For example, Jarvie (1977) examined the sociological and political factors contributing to the growth of the Hong Kong movie industry. W C To (1972) studied the Hong Kong movie in the context of Chinese cinema history. Bishop preferred to adopt an economical approach. Only a few of these studies had concentrated on accounting for the evolution of the Hong Kong movies industry, not to mention its success in the production and export aspects. Besides, most of them are relatively piecemeal, unstructured and one-sided. Therefore, despite that the non-Marxist theories give more ideas about the development of the Hong Kong movie industry, a few studies have generated useful framework or systematic analysis about the development of the movie industry of Hong Kong.

The above analysis showed that both the Neo-Marxist and non-Marxist studies have some weaknesses in giving a satisfactory account for the development



of the Hong Kong movie industry. According to the Neo-Marxist theories, Hong Kong should be placed in the category of the developing countries as most of her Asian neighbours, but the outstanding performance of the movie industry has rendered such categorization inappropriate. Moreover, the Neo-Marxist framework has much difficulties in accommodating the numerous anomalies in the case of Hong Kong. The Non-Marxist theories, on the other hand, can explain the competitive advantages of Hong Kong movie in the international trade. However, they cannot explain the process as to how Hong Kong changed from a movie import city into a movie export centre. In this study, I would therefore attempt to propose an analytical framework which I think can provide a better alternative to account for such process.

### **iii) Analytical Framework & Method of Study**

Previous discussion shows that the non-Marxist theories present a better alternative in approaching my research question and have more explanatory values for the case of Hong Kong. Therefore, I will adopt the Non-Marxist approach to study this issue. In my opinion, the previous studies mainly adopt a sociological approach which naturally explain the development of the Hong Kong movie industry mainly from a sociological perspective. However, such an approach has its inadequacies in failing to address and give sufficient attention to the business nature of the movie industry. However, in many countries or cities like Hong Kong the movie industry is perceived as a kind of business and movie is first of a commodity and artistic values are only secondary. It is reasonable to adapt a business-economic framework in the study of Hong Kong movie industry and to analyze the movie industry from a business-economic perspective. This alternative perspective will bring insights into the macro- and micro- environments and provide a more comprehensive picture of the development of the industry. Another major weakness of previous studies is a lack of theories and systematic framework to integrate different contributing factors deriving from historical, political and socio-economical variables. Besides, most of the previous studies only provided a cross-sectional account. The lack of a historical and longitudinal approach also limit a thorough



understanding of the evolution of Hong Kong as a regional movie production and export centre.

There are many ways to approach the issue of the development of the Hong Kong movie industry. One can adopt a micro approach by focusing on the development of a special activity, like distribution or exhibition, in the movie industry. One can also use a middle range approach by analysing the ups -and-downs of a representative movie company, say, Cinema City. However, I prefer to approach this issue from a broader scope and provide a basic model in understanding the overall development of the Hong Kong movie industry in different historical stages. Therefore, I am going to analyse this topic from three different angles: statistical, socio-historical and integrative.

I shall first review this issue by a statistical analysis. This part forms the basis of the whole study. This thesis assumes that Hong Kong is a regional movie production and export centre which can only be proved by a comprehensive review of statistical evidence. Besides, this part of study also forms a quantitative analysis of my whole thesis.

Secondly, I am going to review the development of the Hong Kong movie industry from a socio-historical perspective. As its evolution takes a relatively long process, a longitudinal analysis will give a better account as to how the movie industry developed herself in different historical stages. This qualitative analysis also provides a context or background to facilitate a better understanding of the evolution process.

Nevertheless, the statistical review and the socio-historical account can only provide the background or context for a better understanding of the process whereby Hong Kong evolves to become a movie production and export centre. In other words, they can only serve to tell us how, but not why, Hong Kong evolves into a movie production and export centre. I shall therefore attempt to answer the 'why' question by in the later part of my thesis.



When reviewing the relevant literature, two explanatory frameworks are found possible to account for the development of Hong Kong's movie industry. The first one (refer to Appendix 1) is adopted by Jowett & Linton (1989:73) to examine the development in Hollywood movie production, distribution and exhibition from the mid-1970s to the late 1980s. As the movie industry of Hong Kong is modelled on Hollywood, this analysis, to a very large extent, is applicable to the industrial environment of Hong Kong. However, this framework only concentrated on the development in 1970s and 1980s which is not sufficient to cover the whole evolution process of the Hong Kong movie industry. Besides, this framework only focuses on the internal dynamics of the movie industry and the external forces have not been taken into account. Nevertheless, the external factors of the development of the Hong Kong movie industry are equally, if not more, important than the internal factors. Therefore, I should need a framework which could provide a simplified skeleton as well as a more macro outlook to include variables from different disciplines.

The second framework is the structured analysis suggested by Philip Kotler's (1988:135) (refer to Appendix 2) on the major actors and forces in a business environment which possesses the abovementioned qualities and likely to provide a skeleton for a structural framework.

The major advantage of Kotler's framework lies in its incorporation of both the macro and micro factors or forces in the business environment, although only parts of them are useful in explaining Hong Kong's case. Another advantage is that it has room for synthesis. However, the major weaknesses of Kotler's model are: 1) the core of the framework only refers to a particular company which is not included a whole industry or business, 2) it lacks a historical dimension.

As both framework have inadequacies in application to Hong Kong's case, I am going to construct a new framework in the later part of my thesis by modifying Kotler and Jowett et al's models. The framework will mainly excerpt major variables contributing to the success of the Hong Kong movie industry in the past

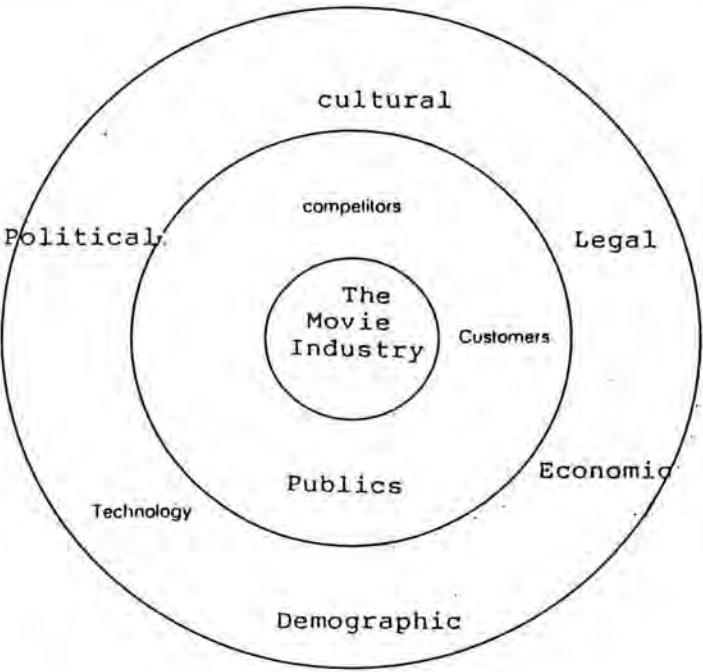


decades. Each variable will be analysed in depth across different stages. I call this framework an integrative one as it possesses the following qualities:

- a) able to integrate variables from different disciplines and
- b) can accommodate both the macro and micro aspects in business environment

The new analytical framework will consists of three concentric circles. At the heart of the analysis will be an understanding of the movie industry or business. Therefore, the innermost circle will consist of a basic division on the activities of the movie industry, i.e., the production, distribution, exhibition and promotion. The intermediate circle contains factors that can directly affect the core industry/ business. These are competitors, customers and publics. Variables and factors in these circles are micro environment, or internal factors of the movie business. The outer circle describe factors in the macro environment, or external factors of the movie business, which provide necessary but not sufficient conditions for the prosperity of a business. They include political/legal, socio-cultural, demographic, economic and technological variables.

Major Actors and Forces in the Business' Environment



I  
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---I-----> dimension of time  
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I

This analytical framework is presented in the above diagram. As the dimension of time cannot be visualized in such a cross-sectional diagram, I use the axes to denote the flow of time.

#### **iv) Research questions and research design**

##### **1. Research question and purpose**

The focus of this study is 'the evolution of Hong Kong as a regional movie production and export centre'. This study attempts to tackle two assumptions 1) Hong Kong is a movie production and export centre, and 2) the success of Hong Kong to evolve into a regional movie production and export centre is not solely depended on the favourable demographic, economic and political conditions but many contributing factors. The specific purposes of this study are:

- a) To establish the status of Hong Kong as a regional movie production and export centre.
- b) To examine how Hong Kong evolve into a regional movie production and export centre.
- c) To investigate the related factors that contribute to Hong Kong's success as a regional movie production and export centre at various stages of development.
- d) To synthesize these contributing factors into a systematic and explanatory framework.

This study is significant in the following aspects:

- a) The past decades witnessed a growing importance of the Hong Kong movie industry both in the regional and international markets. Her commercial value is only second to Hollywood. However, relatively little studies have been devoted to an analysis of its success. This study is the first systematic account of its evolution and development as a regional production and export centre.



- b) Although there are numerous materials or aggregate data related to the Hong Kong movie industry, most of them are piecemeal and unsystematic. The present study intends to present these data and analyze them by a structured framework.
- c) In theoretical aspects, this study attempts to introduce a new approach to study the Hong Kong movie industry from the business and economic perspectives other than the traditional statistical, sociological and historical perspectives.

## 2) Definitions of the topic

The topic of this study is 'the evolution of Hong Kong into a regional movie production and export centre.' The scope of this study can be outlined by defining the terms of the research topic. The term 'evolution' stands for the historical process by which the Hong Kong movie industry took shape and changed across the past few decades. The study on the 'evolution process' will cover the 1930s to the 1990s so that the trend of development in the movie industry can be depicted. However, due to the scarcity of early historical documents and that significant progress was discerned after 1950s, greater emphasis will be placed on the period 1950s-1990s.

'Hong Kong movie' as defined by Yu Mun-yun, is one made locally and overseas only when they are produced by Hong Kong people and distributed by a movie company based in Hong Kong<sup>1</sup>. While I agree with Yu that Hong Kong movie should be produced mainly by Hong Kong people, I think the definition can be expanded to include those joint-ventured products in which Hong Kong companies play a major role in the process of movie-making.

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<sup>1</sup> 余慕雲：〈一九九一年香港電影回顧〉《南北極》第260期，1992年2月號，頁79-83。Yu Mu-yun (1992): 'Hong Kong Cinema Survey 1991' in South North Pole, No. 260, February 15, p.79.

The term 'regional' carries different meanings at different stages. During the 1950s and 1960s, it denotes areas within the Asian regions, like the Far East, Southeast Asian countries and Taiwan where Hong Kong movies were popular. Markets in Japan and South Korea were not yet opened for Hong Kong movies at that time. It was not until the 1970s and 1980s that the term 'regional' can be taken at a global dimension as well and extends to include areas like Japan, South Korea, US, European countries, Australia and even African countries. However, the major markets are still Southeast Asia.

The terms 'production' and 'export' refer to two distinct manufacturing and trading procedures which could be treated independently. However, in the present study, the production and export activities in Hong Kong movie industry are part and parcel and would be treated as one. Hong Kong can become a regional movie export centre because she has a large quantity of production. Therefore, I would treat the production and export activities of Hong Kong movies as inseparable from each other and they would be analysed as if they form part of a single activity in this study.

A 'centre' is a relative concept. It means that Hong Kong is a core area of movie production and export in the Asian region. Her movie products are distributed and exported to different destinations and overseas markets in the periphery. However, a place can be both a centre and a periphery at the same time. Therefore, while Hong Kong can be regarded as a centre in the Asian region, it can also be regarded as a periphery of the world system because movies are imported into Hong Kong from the centre of the world system like Hollywood. In this study, I shall compare the import and export trading values of the Hong Kong movies to illustrate its status as a regional centre.

### 3. Research Design

This research will be implemented by three methods: aggregate data collection, documentation analysis and interviews.



Secondary data or statistics relate to footage of movies produced or exported from Hong Kong will be collected from different sources like the United Nations Statistical Yearbooks, annual reports of Hong Kong, statistics compiled by the Industry and Trade Departments of the Hong Kong government, the Hong Kong Movie Industry Association. Information on comparable figures from other countries will also be included.

The interviews with movie distributors and critics are only a supplementary part of this study. As most of their works are documented, I would use the interviews to clarify some data points made by these critics and fill in some of the missing links. Questions asked were mainly around the theme of this study, i.e., reasons and factors that contributed to the success of Hong Kong success as a movie production and export center. The data and observations so collected are useful for formulating a framework in accounting for the evolution of Hong Kong as movie production and export centre.

The documentation analysis is a crucial part of this study. As it is a longitudinal one, all the literature and documents about the Hong Kong movie industry published in different periods are important to my analysis. The literature and journals that I found relevant fall into four main categories:

- 1) Entertainment/ cultural magazines of Hong Kong,
- 2) Political/ economic/ business journals of Asia,
- 3) International communication journals (popular and academic),
- 4) International trading statistics.

The main body of this thesis will be presented in accordance with the sequences of my analytical framework which are, namely, the statistical review, socio-historical analysis and an integrative analysis.

### Chapter 3 : Hong Kong as a Regional Movie Production and Export Centre -- a Statistical Review

Compared with other local media, the movie industry in Hong Kong has the longest history of development and enjoyed an extended period of prosperity. Although this industry has been operating in the territory since the beginning of this century, it was after the Second World War that Hong Kong grew rapidly as a regional movie production and export centre.

In this chapter, I shall establish Hong Kong as a production and export centre through production figures and trade statistics. I am going to sub-divide this chapter into two sub-topics: i) Hong Kong as a regional production centre and ii) Hong Kong as a movie export centre.

#### i) A Regional Production Centre

##### a. The early periods

The production history of the Hong Kong movie industry can be traced back to 1909 when the first movie was produced in Hong Kong. The study of S H Lau (1991) showed that approximately 1038 feature movies were produced during the first half of this century<sup>11</sup>. It was estimated that this figure only accounted for 10% of the total numbers of movies ever made in Hong Kong. He also summarized the approximate number of movie produced in Hong Kong between the periods 1909 to 1949 as follows:

<u>Periods</u>	<u>No of movies being produced</u>	
	(HK)	(Shanghai)
1909 - 1920	2	33
1921 - 1930	11	644
1931 - 1937	195	459
1938 - 1945	396	571

<sup>11</sup> 劉成漢：〈電影賦比興集〉（香港：天地圖書公司，1992）頁164。

Lau, S H (1991): The Production Skills of Hong Kong Movies, p.164.



The above statistics provided by S H Lau revealed that Hong Kong did not become a production centre for Chinese movies until 1946-9. Beforehands, it was Shanghai that took the leading role. However, the beginning of the Sino-Japanese War in 1937 showed a gradual replacement of Shanghai by Hong Kong as a movie production centre.

b. The prosperity periods

Since then, the production activities remained active throughout the later 40 years, especially in the 1950s and 1960s. While the manufacturing and service industries in Hong Kong were still underdeveloped, the production of movie has maintained at a very high level and efficiency. The total number of production between 1950 -1992 is approximately 8847 feature movies. According to Yu Mu-yun, over half of these productions, more than 4,600, were Cantonese movies, a popular and typical movie genre between 1950s to 1960s<sup>12</sup>.

As Hong Kong does not have an established institution similar to the movie archives in the western countries, historical records about the early stage of the Hong Kong movie industry are rare and not being kept systematically. The analysis of documents revealed that different sources varied in the exact numbers of annual production. Even the Hong Kong Annual Report cannot present a set of consistent figures. The Annual Report in 1963 quoted the number of movie production as 261 but the 1964 Report cited differently at 310. Furthermore, the 1971 book speculated the number of movies produced in 1965 to be more than 500 but the Report in 1965 only quoted a figure of 235.

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<sup>12</sup> Yu Mu-yun (1979): 'The contribution of Cantonese movies to the preservation of the artistic value of Cantonese operas' in Hong Kong Cinema Survey 1946 - 1968, p.64.

Table 1 : Numbers of Movie Produced in Hong Kong 1950 - 1992

Year	No. of Production	Year	No. of Production
1950	202*	1971	126
1951	192*	1972	130
1952	259*	1973	350-400
1953	207	1974	178
1954	188	1975	112#
1955	227	1976	104#
1956	215	1977	115#
1957	217	1978	130
1958	240	1979	137
1959	246	1980	142
1960	273	1981	130
1961	> 300	1982	129
1962	272	1983	118
1963	261	1984	109
1964	238	1985	105
1965	235	1986	100
1966	> 500@	1987	110
1967	> 500@	1988	139
1968	> 200	1989	156
1969	280	1990	241
1970	147	1991	211
		1992	376

Source: This table is compiled from the Hong Kong Annual Reports 1953-1993.

Notes :

\* No exact figures were given in the Hong Kong Annual Reports.

Present figures were quoted from Ian Jarvie (1977:61).

@ Estimated figures cited by the Hong Kong Annual Report 1973.

# No exact figures were given in the Hong Kong Annual Reports.

These figures were quoted from the Unesco Statistical Yearbook 1980.

Although these discrepancies might affect the accuracy of the production records, the prosperity of the movie production activity in Hong Kong is undeniable. It is estimated that an average of over 200 movies of different dialects were shot in Hong Kong each year. The volume of production peaked in 1956-7 and 1966-7 when nearly 500 feature movies were produced each year.

However, the Cantonese movie began to decline in late 1960s, the Mandarin movies were dominating the cinemas from then to mid-1970s. During those years,



more than 80% of local productions<sup>13</sup> were shot in Mandarin with Chinese and English subtitles. This situation started to reverse after 1977 when a gradual revival of the Cantonese movies took place. The spoken language in local movies became to standardize in Cantonese since 1980s and all movies produced would have a copy of Mandarin soundtrack when selling overseas.

There was an overall drop in movie production during the 1970s and 1980s. The main reasons contributing to this decline was the increasing unpopularity of the traditional Cantonese movies genre and the growing influence of television. However, movie production gradually picked up in late 1980s and the movie industry became 'rejuvenated' in the beginning of the 1990s and more than 200 movies were produced each year. This phenomenon of rejuvenation of the Hong Kong movie industry is unique if compared with its counterparts in many other countries where the survival, not to mention the prosperity, of their movie industries is threatened by the penetration of video cassette recorders, resulting in a decline of movie production. The unique phenomenon of the Hong Kong movie industry will be further analysed and discussed later on in this thesis.

### Comparison with other countries

The above statistics outline a general picture of the Hong Kong movie industry in the previous decades and reflect the industry's internal dynamics during this period. Although different sources asserted that the volume of production enabled her to remain in the top third or fourth position in the world<sup>14</sup>, further statistical evidence shows that this assertion may not be valid. However, in order to establish the assumption of this study that Hong Kong is a regional production centre, it will be meaningful to evaluate the movie production of Hong Kong in

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<sup>13</sup> Refer to the 'reference material No. 6' in the Summary Report of the Seminar on TV's Effect Towards the Movie Industry, organized by Radio Television Hong Kong, 1987.

<sup>14</sup> Refer to Hong Kong Annual Report 1953-4; 1968-9; 1973; Other Hong Kong Report 1992 p.403; Variety Cannes '89 Special Issue (1989), p.337; Variety Aug 24, (1992), p.49.



in comparison with its counterparts in other countries of the world.

Table 2 presents comparative production statistics of long movies as reported by the Unesco Statistical Yearbook in the past 20 years. 'Long movies' refers to movies produced for commercial exhibition in cinemas. The length of movies classified as long movies varies considerably from country to country, ranging from 1,000 to 3,000 meters. Parts of the countries are selected on the basis of their movie output. Those produced a higher number of movies than Hong Kong will be included. Countries with lesser productions like Singapore and Korea are also included as they are members of the 'Four Little Dragons' and they form a basis for comparison with Hong Kong's situation. Another Little Dragon, Taiwan, has not been listed because it was not a member of the United Nations at the time and therefore not included in the surveys.

Table 2: Hong Kong and Comparative Production Statistics

Year	HK*	USA	India	Japan	Singapore	Korea	Italy	France	USSR	Place
1950	202	361	241	115	-	-	-	-	-	(3)
1955	227	305	271	423	20	-	-	-	-	(4)
1959	246	223	312	500	17	-	-	-	-	(3)
1960	273	211	324	423	12	67	168	158	139	(3)
1965	203	191	325	490	11	193	188	142	167	(3)
1969	155	-	367	494	-	247	104	154	196	(5)
1970	137	236	396	423	5	224	240	138	218	(8)
1971	126	-	433	423	-	208	245	127	234	(7)
1972	133	-	414	390	-	143	294	169	234	(7)
1973	172	-	-	405	5	-	252	200	166	(4)
1974	147	156	435	405	-	142	237	234	184	(7)
1975	112	176	475	333	4	99	203	222	184	(7)
1976	104	-	507	356	3	135	237	214	156	(7)
1977	115	-	557	337	1	102	165	222	148	(6)
1978	147	203	619	326	-	117	143	161	-	(5)
1979	136	248	714	331	-	96	146	174	-	(6)
1980	141	264	742	320	-	91	160	189	156	(7)
1981	128	226	737	332	-	87	143	231	153	(7)
1983	203	396	741	-	-	91	128	131	156	(5)
1985	130	330	912	319	25	81	73	151	156	(6)
1987	130	578	806	286	25	89	116	133	156	(6)
1989	137	345	781	777	-	110	114	136	-	(4)

Source: Unesco Statistical Yearbooks 1972 - 1992.



The problem of the previous table recurs here as the numbers of productions recorded by the UNESCO Statistical Yearbooks do not agree with what were quoted from the Hong Kong Annual Reports. However, this table is constructed to compare Hong Kong's position among the world production centres. The numbers of production quoted in the tables only act as an indicator for comparison and therefore such discrepancies or inconsistencies in number of productions do not invalidate the overall analysis.

Judging from this table, the claim that Hong Kong is always the top third or fourth movie production centre in the world is a myth. Figures show that only the production volume in the 1950s - 1960s and recent years were significant in a world context. However, the status of Hong Kong fluctuate, depending on the source of figures used. One example was that the 1964 Annual Report asserted that Hong Kong was the world's largest production centre for having produced 310 feature movies in 1963, compared with 271 by India, 225 by Japan and 155 by US companies. Nevertheless, Table 2 gives another picture. Judging from the trend of production, it is rather difficult to believe that production volume in Japan and India could drop by a half in a year's time. The second case is similar as the Annual Reports in 1968 & 1969 reasserted the position of Hong Kong as the third movie leader in the world, just behind India and Japan. However, the record of Unesco revealed that the respective numbers of productions in South Korea and USSR were greater than that of Hong Kong in 1969.

Although there are different versions concerning Hong Kong's position, one cannot deny that Hong Kong is qualified to call herself a regional production centre. Not only is her production comparable with any other leading movie production centers in the world, Hong Kong always stayed in the fourth to eighth positions in movie production in the world throughout the previous decades. In light of Hong Kong's small population, it may be legitimate to claim Hong Kong as one of the top production leaders in the world during the 1950s and 1960s. After the 1970s, however, she moved down to become the sixth or seventh movie production centre of the world due to the decline of low-budget Cantonese movies.



It is also noteworthy that countries previously having huge volume of production like France, Italy and South Korea faced a continued decline in production. However, Hong Kong, as well as other production leaders like USA, Japan and India, not only maintained her annual output but also showed a trend of revival in the 1990s, judging from the annual production figures compiled by the Hong Kong Government in Table 1.

The above analysis demonstrates that Hong Kong is qualified to call herself a regional production centre throughout the last four decades. Although she might not be at the leading position all the time, her regular output and unusual pattern of revival in the 1990s made her performance unique amongst the world movie production leaders. This city is also one of the few places in the world in which locally-made movie productions, rather than Hollywood-made ones, dominate the box-office<sup>15</sup>. Given the small size of population and internal market, it is not easy for Hong Kong to maintain such a vast volume of output for her internal market. It is even more difficult for Hong Kong to thrive as a regional export centre as well. The following section will illustrate her position as a movie exporter.

## **ii) A Regional Export Centre**

### **1. *Import Versus Export***

Export is a concept relative to import. When we talk about Hong Kong as an export centre, we are assuming that her export exceeds her import or at least her export is as strong as her import. During the research process, it was difficult to find the historical records of the exact numbers of imported as well as exported movies. One expedient way to compare the import and export of cinematographic movies is to compare its trading values and quantity. The cinematographic movies may include those 16mm or 35mm, commercial or non-commercial products. Therefore, the values of those movie products are not limited to commercial movies for public

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<sup>15</sup> Refer to *Variety* (1990) 'Hong Kong '97: Will filmmaker flee', May 2, p. 229 & Palmer, R (1992), 'Hong Kong: Media city' in *Variety*, Aug 24 p. 50.



exhibition. For lack of a better alternative, I shall use this somewhat indirect measure as the basis of my comparison.

a) The Early Periods:

As shown by government records, movie export remained an important trading activity in Hong Kong during the previous decades. The earliest available research data was in 1922-3 when the import and export of cinematograph movies were subsumed under the item of 'photographic goods'. The total values of trading at that time were as follows:

	Import (in British Pounds)	Export (in British Pounds)
1922	84,219	34,263
1923	81,725	42,434

Although no exact breakdown on the share of the cinematograph movies is given, it is obvious that during the 1920s, the value of importing foreign movies was twice to that of the export. Among the total values of import, about 1/3 of them came from Germany and another 1/3 from UK and US. Over 2/3 of the total export went to Mainland China.

Table 3: Trade Statistics of Cinematograph Movie in the 1930s

	Import (HK\$)	Export (HK\$)	No of Countries
1932	1,590,297	1,810,387	(9)
1933	1,275,383	1,386,614	(11)
1934	1,399,576	1,401,455	(8)
1935	1,076,226	1,052,141	(11)
1936	864,095	1,065,584	(12+)*
1938	941,055	1,329,735	(12+)*

Source: Hong Kong Trade Statistics 1932 - 1938

Note \*: An item 'other countries' was categorized in these two tables.

However, the balance of trading in cinematograph movies had reversed in the 1930s. Table 3 illustrates that the exportation of Hong Kong movies began to

surpass her import as early as the 1930s. The numbers in the brackets represented the number of countries enumerated from the official reports compiled by the Hong Kong Government.

Table 3 attempts to give an overview on the import-export situation in the trading of used cinemagraph movies, i.e., developed movies, during the 1930. It is obvious that except in 1935, the value of movie export was larger than that of imported movies. The decline in importing values of foreign movies can be accounted by the unstable political situation in Mainland China and the beginning of the Sino-Japanese War since 1937. The exportation of the Hong Kong movies was also affected by these political events.

#### b) The Prosperity Periods:

As the outbreak of the Pacific War in 1941, the trading records of Hong Kong during the 1940s were scattered and incomplete. Therefore, no official information about this period can be obtained. I can only continue my analysis since the 1950s. The 1950s to 1960s were a prosperity periods in movie trading. The following table present some ideas about the trading of exposed cinemagraphic movies which is again compiled from the Hong Kong Trade Statistics 1952 - 1969.

Table 4 shows that the total values of movie export from Hong Kong in the 1950s were higher than her import. However, this trend reversed in the 1960s when the values of exported movies fluctuated periodically while the import of foreign movies increased steadily. The total values for imported movie tripled during these periods from \$2.93 million in 1952 to \$10.09 million in 1969 whereas the export for same years were from \$3.24 million to \$12.59 million, an increase of nearly four-fold. Data from late 1960s revealed that the export of the Hong Kong movies seemed to regain momentum and exceeded that of the imported movies. The fluctuation during the 1960s might be due to the gradual decline of the Cantonese



movies in the Southeast Asia markets and the surge of martial arts movies in late 1960s.

Table 4: Trade Statistics of Hong Kong Movie during 1950s & 1960s

<u>Year</u>	<u>Import</u>		<u>Export</u>		<u>Country</u>
	<u>Value</u> (HK \$ Million)	<u>Quantity</u> (million feet)	<u>Value</u> (HK \$ Million)	<u>Quantity</u> (million feet)	
1952	2.93	-	3.24	-	-
1953	4.65	-	4.18	-	(21)
1954	4.72	-	6.68	-	(26)
1955	7.50	-	7.19	-	(31)
1956	3.98	-	8.62	-	(26)
1957	4.85	-	9.22	-	(31)
1958	8.64	-	10.84	-	(36)
1959	6.99	19.15	6.18	17.89	-
1960	5.63	18.47	5.25	15.46	(29)
1961	7.92	22.98	5.10	14.13	(28)
1962	12.7	28.95	8.35	19.43	(26)
1963	10.2	25.13	7.70	15.18	(25)
1964	8.75	25.43	6.61	15.00	(24)
1965	9.01	23.68	5.99	13.28	(21)
1966	7.62	23.77	3.71	9.66	(20)
1967	14.37	38.74	7.14	15.93	(20)
1968	10.94	30.98	9.16	15.39	(26)
1969	10.09	37.55	12.59	18.74	(29)

### c) The Recent Decades:

The trend of movie trading was somewhat different between 1970s and 1990s. Table 5 attempts to present the changing picture according to the data compiled by the Industry and Trade Department concerning the trade value of movie products.

Table 5 shows that within 20 years' time, the value of import movie products only increased by 2.9 times while the value of export movie products increased by 10.5 times. The increase rate of movie exporting value tripled that of the import values. Between 1970 and 1992, the value of movie export increased eleven-fold, in

fact twelve-fold in 1989, which was the peak. Both the values of import and export fluctuated within these two decades, with the latter experiencing greater fluctuation.

This table also tries to depict a trend of movie exportation. It shows that movie-makers and distributors in the past two decades had succeeded in expanding their overseas markets. Figures in Table 4 shows that the total number of overseas markets between 1950s to 1960s were no more than 30 but throughout the 1970s and 1980s the number of overseas markets was doubled and sometimes tripled. However, figures in 1975-7 reflected that although the same number of markets were secured, the market value of the movie products was decreasing. Similar phenomenon happened again in 1984-7. This market expansion strategy changed in the 1990s. The decreasing number of overseas markets and the steady increase in the market values of the exported movies revealed that movie-distributors preferred to concentrate on a few profitable markets instead of reaching out to a large number of markets with only marginal profits.

Table 5: Trade Statistics of Cinematographic Movie 1970-92

Year	Import		Export		Countries <u>exported</u>
	<u>Value</u> (million \$)	<u>Quantity</u> (m.ft/m.m)	<u>Value</u> (Million \$)	<u>Quantity</u> (m.ft/m.m)	
1970	11.76	23.66	10.25	17.49	24
1971	21.15	45.04	17.08	24.89	46
1972	20.67	42.55	23.38	30.99	50
1973	19.74	44.28	46.66	45.43	71
1974	20.01	47.35	52.79	73.77	85
1975	22.91	45.30	35.34	46.47	86
1976	26.94	52.46	34.31	49.72	70
1977	21.95	47.11	39.69	58.23	77
1978	29.25	25.03	50.86	22.94	69
1979	28.93	-	60.84	25.84	79
1980	33.29	17.00	76.03	30.09	90
1981	34.20	15.04	85.14	33.47	90
1982	36.23	15.91	83.50	28.74	68
1983	43.75	16.34	78.68	25.66	83
1984	42.73	15.66	62.24	24.69	77
1985	33.44	12.38	51.33	22.31	68
1986	40.32	15.08	54.49	22.17	65
1987	50.15	15.93	57.37	23.46	65
1988	52.54	16.92	83.99	35.11	61
1989	45.51	15.03	123.14	35.82	51



1990	41.84	23.21	102.91	84.35	49
1991	29.59	14.07	104.82	37.63	39
1992	34.20	18.98	108.5	38.83	38

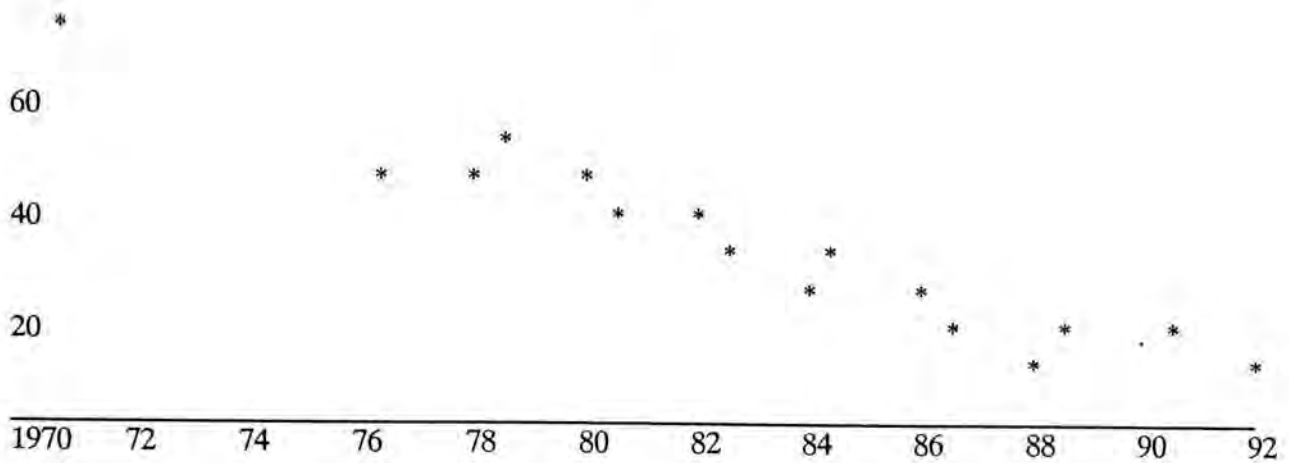
Source: Hong Kong Trade Statistics 1970-1992  
 Note : The unit of quantity between 1970 - 1977 was in million feet  
 and the remainings in million meters.

It is interesting to note that the watershed when the value of export first exceeded that of the movie import was in 1972, when Kung-fu movies played by Bruce Lee created box-office miracles and became popular both in the local and overseas markets. As a result, the number of overseas countries importing Hong Kong movies nearly tripled from 24 in 1970 to 71 in 1973. However, this Kung-fu fever lasted only for three years and sales volume dropped after the death of Bruce Lee. Until early 1980 the sales volume rose as a result of the gradual popularity of Jackie Chan, another Kung-fu star famous for action comedy.

Although the above tables showed that the export values and quantity of Hong Kong movies often exceeded her imported movies, it did not necessarily mean that the exported movie products were more popular than the imported products in the local cinemas. In fact, in the first half of this century, Hong Kong cinemas were dominated by foreign movies like other third world countries. According to the study of Jarvie (1977:57), the box office gross of locally made movies were far below that of foreign movies. It was not until 1968-69 that the box office of the local made martial arts movies began to gross more than \$ 2 million and locally made movies began to dominate in the domestic market. Jarvie's study was supported by Paul S N Lee (1991:55) who revealed that in 1962, eight out of the top ten grossers were Western movies. The popularity and prominence of imported movies in the Hong Kong movie market in the early decades did not affect her evolution into a regional movie production and export centre.

Table 6: Foreign Movies Market Share 1979 - 1989

(%)



Source: figures from these table were compiled from Variety '89 Cannes Special Issue, the International Film Festival Special published by HK Urban Council, 1991, Hong Kong movies 1989-91 published by HK Motion Picture Industry Association and 1992 movie catalogue compiled by City Entertainment magazine.

Table 5 shows that the values of the imported movies grew steadily between 1970s and 1990s. However, the market sharer of foreign movies dropped continuously. The peak of imported values was in 1988 when more than 50 million dollars were spent on purchasing foreign movies. However, Table 6 shows that within the same year the market share of imported movies fell to the lowest point, to 18%. Movie distributors were more cautious in buying foreign movies in recent years because foreign movies were becoming less popular in Hong Kong.

According to the report made in Variety in 1989, two-thirds of the box office returns went to imported movies in 1979, mainly Hollywood productions. But nowadays western movies account for an average of 25% of the local market<sup>16</sup>. The box office of imported movies only grossed 21% in 1991 and 16.7% in 1992 in the local movie market. This trend reveals that the popularity of imported movie continues to decline. In recent decades, Hong Kong remains one of the few territories in the world which locally made movies, rather than American movies, dominate the box office.

Lee (1991:55) explained that the decline of the 'Eight Studios' in Hollywood and the unpopularity of the Western European movies in the early 1970s was one

<sup>16</sup> Chadha, K K (1989): Two Decades of Evolution for Hong Kong Filmdom' in Variety '89 Cannes Special Issue, p.337.



of the reasons accounting for the surge of the Mandarin movies in the local market. Chadha (1989) summarized that Hong Kong movies' uniqueness in storytelling style and the compactness of attractive elements made American movies boring to most audience<sup>17</sup>. Orzel (1989) also added other factors, like the influx of non-English speaking population, emigration of English speaking population and demolition of major theatres which exhibited imported movies, also accounted for the decline of foreign movie in the Hong Kong cinema market<sup>18</sup>.

## 2. The Changing Overseas Markets

Historical trading statistics in the previous decades showed that there were many changes in the overseas markets. The documents in 1922-3 indicated that over half of the total exported movies, actually photographic goods, went to Mainland China. The remainings, although in very limited amounts, were shared by Indo-China, Philippines, Japan, Korea, Formosa, USA and so on. These figures revealed that Hong Kong had established a tradition of movie export as early as the 1920s.

Records in the 1930s were similar to those of the 1920s. As the units of value were different, it was difficult to compare its progress. The figures show that over a half of the total exports still went to Mainland China. The remainders were distributed among Macao, Philippines, Siam, Indo-China, Japan, East Indies, Malaya and so on. The number of countries importing Hong Kong movies ranged from 8 in 1934 to more than 12 in 1938. Coupled with the increasing numbers of movies being produced in Hong Kong during the 1930s, Hong Kong had begun to evolve into a movie production and export centre in this decade.

In the 1950s and 1960s, the overseas markets were mainly overseas Chinese

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<sup>17</sup> Ibid.

<sup>18</sup> Orzel, S J (1989): 'Hong Kong Pic Industry had Watershed Year in '88' Variety Cannes '89 Special Issue, p.342.

in Southeast Asia and Taiwan, with occasionally the Chinatowns in the USA<sup>19</sup>. The following table tries to compare the change of major overseas markets during the 1950s and 1960s. To render easy reading, I only present here the figures for alternate years which I think will be representative enough of the changing scenes of the overseas markets. Figures in blackets were export share as percentages of the total values. The bold figures below each year was the total export values of that year.

Table 7: Changes of Major Buyers 1954-68

1954 <b>(6.68m)</b>	Formosa (29.5%)	Malaya (22.8%)	USA (11.4%)	Thailand (8.3%)	Indonesia (7.3%)	Indo-China (6.5%)	Macao (5.8%)
1956 <b>(8.62m)</b>	Malaya (28.6%)	Indo-China (19.9%)	Formosa (19.7%)	Thailand (7.9%)	USA (7.6%)	Indonesia (4.2%)	S.Korea (3.9%)
1958 <b>(10.8m)</b>	Formosa (20.5%)	UK (20.3%)	Malaya (14.5%)	Thailand (9.3%)	USA (5.9%)	China (5.5%)	Vietnam (4.1%)
1960 <b>(5.25m)</b>	Malaya (22.6%)	Thailand (20.9%)	UK (18.6%)	USA (13.2%)	Japan (4.1%)	Formosa (3.9%)	China (3.2%)
1962 <b>(8.35m)</b>	UK (29.6%)	Thailand (17.1%)	Malaya (16.3%)	USA (10.1%)	Japan (7.5%)	Vietnam (4.6%)	Formosa (4.5%)
1964 <b>(6.61)</b>	Singapore (27.7%)	Thailand (26.3%)	USA (16.2%)	Japan (11.5%)	Formosa (6.7%)	Cambodia (3.3%)	Vietnam (2.3%)
1966 <b>(3.37m)</b>	USA (24.8%)	Japan (23.6%)	Singapore (21.8%)	Thailand (12.4%)	Formosa (7.5%)	Cambodia (3.1%)	Vietnam (2.3%)
1968 <b>(9.16m)</b>	Singapore (24.2%)	USA (18.5%)	Indonesia (12.9%)	Thailand (12.5%)	Taiwan (11.9%)	Philippines (5.7%)	Vietnam (3.5%)

Table 7 shows that the major overseas markets for 1950s to 1960s were mainly Asian countries like Taiwan (formerly named Formosa), Singapore (formerly included in Malaya), Thailand, Japan, Vietnam (formerly Indo-China), Philippines, Cambodia, Indonesia and so on. Other Asian countries like Laos, Burma, South Korea, India, Pakistan also bought movies from Hong Kong, but in very small amount. The other major buyers for Hong Kong movies were US and UK where there were a substantial numbers of emigrated Chinese. Moreover, other Chinese settlements in Australia, Canada, New Zealand and even in South America also imported Hong Kong movies, on a small scale.

<sup>19</sup> 'Press, Publishing, Broadcasting, Films and Tourism' in Hong Kong Annual Report 1959, p.279.



Although table 4 shows that the number of overseas markets ranged from 20 to 31, the above table reveals that almost 3/4 of the total values from the exported movie were generated from the first fourth or fifth countries. In other words, only a small proportion of the total values were contributed by the remaining 15-25 overseas countries. The outstanding reliance on a few markets was obvious.

The scope of overseas market expanded many times between the 1970s to 1990s. Table 5 suggested that the number of overseas markets of the Hong Kong movie industry reached its height in 1980-1 with a total of 90 countries on five continents, including the USA and Canada in North America; Columbia, Mexico, Ecuador, etc in South America; Portugal, Spain, Sweden, Belgium, etc in Europe; Trinidad Tobago in the Pacific, Lebanon in the Middle-East; Burma, Brunei, Pakistan, etc in Asia; Morocco, Liberia, South Africa, etc in Africa; Australia & New Zealand in Australasia. It was the Kung-fu movies of Bruce Lee that enabled Hong Kong movies to reach beyond the Southeast Asian markets and become widely accepted by audiences from different regions, races, languages and cultural backgrounds.

The 1970s and 1990s also witnessed the changing facets and fluctuations of the overseas market. Due to political reason, some overseas markets like Laos, Cambodia and Vietnam were lost since the 1970s. However, more and more joined the list since 1973. The year 1980-1 might be the year in which the number of countries importing Hong Kong movies reached its peak. However, this record could not be maintained all the time. The number of overseas markets in 1991-2 dropped to as few as 38 and 39, representing less than half of that in the previous decade. Compared with the record of 1980-81, long term customers from Southeast Asian countries like Taiwan, Malaysia, Singapore and so on are still active in purchasing Hong Kong movies in 1992. Countries in Eastern Europe like Bulgaria, Czech & Slovak and Hungary are new countries interested in purchasing Hong Kong movies. Mainland China also became active since 1982. Nevertheless, former customers like Nigeria, Spain, Greece, Venezuela, Liberia, US Oceania and so on were gradually fading out from the list of overseas buyers of Hong Kong movies.



It has been mentioned that the number of overseas markets did not have direct relationship with the market values of Hong Kong movies. The changing numbers of overseas markets during the past two decades reflects that overseas outlets for Hong Kong movies were unreliable. In fact, different movie genres might attract different buyers from different countries. The overseas market expanded dramatically in 1974 and shrank suddenly in 1975-6, entirely depending on the kinds of attractions the movie industry of Hong Kong could offer. As a result, movie industry in Hong Kong remained very responsive and sensitive to the needs of foreign markets and the industry itself continues to be active and dynamic in order to satisfy different customers.

Actually, the expansion to the global market did not necessarily mean that traditional Asia markets could be neglected. Table 8 shows that traditional Southeast Asian markets could never be replaced. Overseas markets in the other parts of the world are relatively insignificant when compared with the big buyers in Asia. Table 8 presents a comprehensive picture of the changes of the top 7 buyers in two decades. The table reveals that the major overseas buyers of Hong Kong movies have remained almost the same through the years. However, different countries were active at different stages while some of them faded out owing to various political and economic factors. The following table is presented bi-annually and is typical enough to illustrate the changing facets of the overseas markets.

Table 8: Changes of Major Buyers 1970 - 1992

1970 (10.25m)	Singapore (27.4%)	Taiwan (17.2%)	USA (15.9%)	Thailand (10.2%)	Indonesia (9.3%)	Korea (8.9%)	Vietnam (5.4%)
1972 (23.28m)	Singapore (23%)	Vietnam (13%)	KHMER (12.4%)	Taiwan (8.2%)	USA (8%)	Thailand (7%)	Labenon (5.3%)
1974 (52.79m)	Indonesia (14.8%)	Malaysia (8.4%)	Vietnam (7.8%)	USA (7.5%)	Singapore (7.4%)	Japan (5.3%)	Taiwan (4.7%)
1976 (34.31m)	Indonesia (17.3%)	Malaysia (11%)	USA (10.9%)	Singapore (10.1%)	Taiwan (6.9%)	Thailand (6.4%)	Korea (4.4%)
1978 (50.86m)	Singapore (13.9%)	Malaysia (12.9%)	Indonesia (12.8%)	Taiwan (8.6%)	Nigeria (5.2%)	Thailand (4.9%)	USA (3.8%)
1980 (76.03m)	Indonesia (21%)	Malaysia (12%)	Taiwan (10%)	Singapore (8.6%)	Thailand (8.2%)	USA (4.7%)	Germany (3.7%)



1982 (83.5m)	Indonesia (22.7%)	Taiwan (10.6%)	USA (9.5%)	Malaysia (8.7%)	Singapore (8.3%)	Thailand (6.9%)	Tobago (4.3%)
1984 (62.24m)	Taiwan (21.9%)	Indonesia (15.9%)	Malaysia (8.2%)	Singapore (9.3%)	Thailand (7.5%)	USA (4.9%)	Tobago (4%)
1986 (54.49m)	Taiwan (28.7%)	Indonesia (21.4%)	Malaysia (11%)	Singapore (10.3%)	USA (5.2%)	Thailand (4.3%)	Australia (1.6%)
1988 (83.99m)	Taiwan (24.9%)	Indonesia (13%)	Korea (10.3%)	Malaysia (9.1%)	Singapore (6.3%)	China (5.5%)	Thailand (4.6%)
1990 (102.91m)	Taiwan (33.7%)	Korea (12.8%)	Indonesia (11.7%)	Singapore (9.7%)	Thailand (8.9%)	Malaysia (8.1%)	China (1.9%)
1992 (108.5m)	Taiwan (36%)	Korea (11.5%)	Malaysia (7.8%)	Singapore (7.4%)	Indonesia (7.8%)	Thailand (2%)	Phillipines (2%)

Source: Hong Kong trade Statistics 1970-1992

Table 8 shows that Hong Kong movies have a more diverse distribution of markets in the 1970s because countries like Vietnam, Nigeria, USA, Venezuela, Lebanon, South Africa, Tobago, France, West Germany, UK and so on all have been big buyers of Hong Kong movies. Nevertheless, these countries faded out and were gradually replaced by other Asian countries in the 1980s. During the 1970s, the top 4 buyers of Hong Kong movies accounted for less than 50% of the total export values. However, in the early 1980s they shared slightly more than 50%. Since 1986, they have increased to 62-71%. This changing profile of movie buyers in the 1990s reveals that the movie industry of Hong Kong heavily relies on Asian markets like Taiwan, Korea, Indonesia and Singapore.

Interaction patterns between Taiwan and Hong Kong are very interesting. The export to Taiwan once dropped from 29.5% of the total export values in 1954 to 3.9% in 1960s when the local movie industry of Taiwan was probably taking-off. In the following decades, the percentage of movie exporting values to Taiwan rose to 6.9% in 1976, 10.6% in 1982 and 36% in 1992. The total amount Taiwan spent on buying Hong Kong movies in 1991-2 was equivalent to the total movie export values in 1977, accounting for 1/3 of the cash invested in movie production here<sup>20</sup>.

<sup>20</sup> Dykes, J (1993): 'Priced out of the Market' in the Sunday Morning Post, The Guide, June 6, p.3



Actually, Taiwan was a consistently active buyer throughout the previous decades and took the leading position in the 1980s. In 1959, 84 out of a total of 128 exhibited Chinese movies in Taiwan were imported from Hong Kong<sup>21</sup>. In 1989, the situation perpetuated. 141 out of 204, or 70% of the total exhibited Chinese movies were made in Hong Kong<sup>22</sup>. It is estimated that in 1990 nearly all the movies produced in Hong Kong would be exported to Taiwan, accounting for 2/3 of the total movies shown in Taiwan<sup>23</sup>. Some movie critics from Taiwan even commented that the indigenous movie industry of Taiwan would be killed under the cut throat competition of Hong Kong movies<sup>24</sup>. The increased reliance on the Taiwanese market leads to a growing influence of Taiwanese movie distributors in Hong Kong movie industry. The recent boycott on the high casting fees charged by famous movie stars of Hong Kong is an example of their influence<sup>25</sup>.

Indonesia was another big customer for several decades. Between the decade 1974 - 1985, she stayed at the top of the buyers' list for eight out of ten years. All along the ups and downs of the Hong Kong movie industry, Indonesia remained one of the most loyal and active buyers. However, the protectionist policy, or the quotas for foreign movies imposed by the Indonesian government since mid 1970s limited the further development of this market. The quota for foreign movies decreased

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<sup>21</sup> Law, W M (1991): 'A proposal to boost up Taiwan movie industry by NT\$ 1.5 billion' in City Entertainment, No.309, Jan 31 - Feb 10, p.47.

<sup>22</sup> 梁 良：〈大陸、香港、台灣電影的互動關係〉《電影》第299期  
Leung, L (1990): 'Interaction patterns of the movie industries among Taiwan, Hong Kong and Mainland China' in Film Bi-weekly, No. 299, Sept 13, p.41-5.

<sup>23</sup> 吳其諺：〈台灣電影在沒落中的意義〉《電影雙周刊》第299期，  
1990年9月13日，頁27-32。Ng, K Y (1990) 'The meaning on the decline of Taiwan movie industry' in Film Bi-weekly, No.299, September 13, p.27-32.

<sup>24</sup> 王 恆：〈誰謀殺了台灣電影〉《信報》1993年3月12-13日。  
Wong, H (1993): 'Who kills the Taiwan movies?' in Hong Kong Economic Journal, March, 12.

<sup>25</sup> 石 琪：〈明星片酬糾紛〉《明報》1993年5月24日，頁10。  
Shek, K (1993): 'The disputes over actors salary' in Ming Pao, May 24, p.10.



from 766 in 1972 to 100 in 1978<sup>26</sup>. Nevertheless, Hong Kong movies remained one of the major sources of imported movies. Table 9 shows that Hong Kong movies accounted for 1/3 or above in the imported movie market.

Table 2 shows that during the 1960s and 1970s South Korea was one of the largest movie production centres in the world. However, her production suffered a continuous decline since 1979. In 1986, South Korea opened the local movie market for imported foreign movies. She soon became the second largest movie market in Asia and one of the upcoming markets for Hong Kong movies. In 1987, about 400 feature movies were exhibited and only 25% of them were made locally. Hong Kong movies and Hollywood movies shared 70% of the total imported movies market<sup>27</sup>. A movie distributor of Golden Harvest also pointed out that the import of Hong Kong movies from a few increased to 30 features in 1988<sup>28</sup>. Since then, Korea has been actively purchasing Hong Kong movies. She has been staying at the second position, starting from 1989, for four years. Table 9 also shows that near 40% of the imported movies were from Hong Kong.

With a population smaller than that of Hong Kong, cinema remains a popular leisure activity in Singapore throughout these decades. Nevertheless, local production cannot meet her market demands and Hong Kong is one of the important sources for imported movies. Singapore has a long trading relationship with Hong Kong, importing Hong Kong products before her split with Malaysia. The Cathay and Shaw Brothers had established traditional distribution network and actively imported Hong Kong movies from their respective Hong Kong studios in

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<sup>26</sup> 王京：〈邵氏影業公司對挑戰的回應〉《廣角鏡》第129期，1983年6月，頁58 Wong, K (1983): 'A response to challenges by the Shaw Brothers' in Wide Angle Magazine, No. 129, June 16, p.58.

<sup>27</sup> 焦雄屏編：〈新亞洲電影風貌〉（台灣：遠流出版社，1991）頁101 Chiu, H P ed. (1991): 'Korea' in The New Asia Film Industry, p.101.

<sup>28</sup> 采風：〈港片市場下降仍未太爛〉《電影雙周刊》第283期，1990年1月25日，頁17 Choi, F (1990): 'The market for Hong Kong movie is declining but not too messy' in Film Bi-weekly, No.283, Jan 25, p.17.



the 1950s and 1960s. After the decline of Cathay in Hong Kong, Golden Harvest took away this distribution network to exhibit her movies. In 1980s, Golden Harvest has used Shaw Brothers' network and Cinema City overtook Cathay's network. Singapore was staying in the fourth to sixth positions throughout the 1980s. Table 9 also shows that up to 1983, about 25% - 36% of the imported movies in Singapore came from Hong Kong. As reported by one of the Singaporean newspapers<sup>29</sup>, Hong Kong movies were more popular than Taiwan movies and dominated the Chinese movies' cinemas. The same newspaper also reported that the top ten box office in 1982 were mainly Hong Kong movies<sup>30</sup>.

Malaysia is another important market for Hong Kong movies. More than half of the total population are Chinese who preferred Chinese movies to other imported movies. Similar to Singapore, it was the Shaw Brothers and Cathay organizations who were responsible for the distribution of Hong Kong movies there. Despite a quota system imposed by the Malaysian government to limit foreign movies, Hong Kong movies prevailed in the Malaysian movie market. Table 9 shows that during the 1970s, over 40% of the total imported movie came from Hong Kong. Following the economic growth and improved living standard in the 1980s, the import of Hong Kong movies rose to 70-80 feature movies a year in 1988-9, even exceeding that of Singapore<sup>31</sup>.

Other Asian countries like Philippines, Thailand, Japan and Pakistan were also active and long-term buyers of Hong Kong movies. Statistics from other sources also revealed that Hong Kong movies shared a very high percentage of their

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<sup>29</sup> 星洲日報：〈新馬華語片市場〉1982年11月16日

Singapore Daily (1982): 'The market for Chinese movie in Singapore and Malaysia', November 16.

<sup>30</sup> 星洲日報：〈新加坡十大賣座影片全由港製華語片包辦〉1983年

1月23日 Singapore Daily (1983): 'All top ten box office grossers are Hong Kong movies', January 23.

<sup>31</sup> Choy, F (1990): 'The market for Hong Kong movies is declining but not too messy' in Film Bi-weekly, No.283, Jan 25, p.17.



imported movies. Details can be found in Tables 9.

Besides these traditional markets, it was interesting to note the rise of several new markets in recent years. Although there only limited tradings in movies between China and Hong Kong in the 1950s, the transactions stopped in the Cultural Revolution decades. This market resumed in 1982 but only became a significant one from 1988. Her increasing importance reflected a growing connection between the two places not only in politics and economics, but also in cultural contacts.

Canada has been importing Hong Kong movies for several decades but the volume is never significant. Trading statistics in the 1980s showed that Canada spent not more than \$700,000 on importing Hong Kong movies. However, in 1992, the total values of importing Hong Kong movie rose to 1.85 million, nearly triple that of the previous decade. Canada became the 9th important buyer in 1992. This change in consumption of Hong Kong movies may reflect on an increasing cultural bondage between Hong Kong and Canada. That with an increased number of Hong Kong emigrated to Canada, these people would attempt to preserve their life style and cultural bondage by consuming an increased amounts of Hong Kong cultural products like Hong Kong movies.

The above tables try to present the Hong Kong movie industry from the perspective of Hong Kong, i.e., movies as an export product. The following table acts as a supplement and highlights the Hong Kong movie industry from the perspectives of other countries which imported Hong Kong movies for years. This table is illuminating in which some countries do not import many foreign movies but a substantial part of their imported foreign movies was from Hong Kong.

Table 9: Percentage of Hong Kong Movies in Different Markets

	76	77	78	79	80	81	82	83	84	85	86	87	88	89
Australia	10.4	11	12.4	13.2	17.5	20	16.9	17.9	14.8	9.4	--	--	16.3	13.4
Brunei	34	30.6	37.1	--	--	45.6	41.2							

Canada	--	--	--	--	14.5	--	--	--	7.1						
Colombia	--	--	18.3	19.1	2.0	--	3.1	1.7	6.8	2.4	--	--	--		0.5
France	--	--	9.5	15.6	17	21.4	17.9	14.9	13.3	9.7	5.4	7.0	8.5	3.7	
Germany	14.6	11.2	11	13.9	18.2	20.2	6.9	1.6	2.1	1.6	1.4	1.2	1.4	1.1	
Ghana	28	42	51.5	47.1	83.3	19.2									
Grenada	--	--	14.5	34											
Indonesia	32.4	20.1	--	--	17	36.2	26.3	30.7	33	30.1					
Jordan	--	27.1	23.7	23.3	10.2	9.1	6.3	6.8	--	--	--	--	4.5	2.9	
Italy	3.7	1.5	2.6	2.0	3.3	2.2	1.9	1.1	0.4	0.7	--	--	--	0.3	
Korea	4.7	4.8	3.2	9.1	10.3	16.1	13.8	11.5	--	--	7.8	20.2	36.1	37.1	
Malaysia	54.1	52.6	40.5	42	48.5	43	32	36.6	--	--	--	--	13.5	29.9	
Mexico	4	--	0.6	1.6	2.4	--	10.3	3.9	--	--	2.7	3.5	3.6	1.8	
Morocco	--	--	--	--	--	--	23.2	15.9							
Netherlands	6.1	7.5	3.9	3.9	6.4	8.1	4.2								
Guinea	10.9	20.4	--	--	--	--	--	--	12.8	11.3					
New Zealand	2.9	2.4	3.4	2.5	--	--	--	--	0.8	0.2					
Pakistan	--	--	7.9	--	--	--	--	--	--	28.7	30	--	34.1	50.6	
Philippines	--	--	--	--	39	27.5	--	--	--	--	--	--	25.9	18.6	
Singapore		29.2	30.9	34.3	36.3	36.6	34.3	25.5	26.1						
Tanzania	16.9	8.4	--	--	21.3	8	--	--	--	--	20	16	5.9	5.9	
Thailand	--	--	40.1	60	--	--	--	--	--	--	--	--	52	52.4	
Tobago	5.4	14.3													
Tonga	--	--	44.8	45.1											
Uganda	50	49.8													

Source : Unesco Statistical Yearbook 1976-1992

Table 9 was excerpted from the statistical figures in the UNESCO Statistical Yearbook in which performance in the movie export of 9 major countries like US, France, India, Italy and so on are compared in a table. However, figures in these tables are only selective. Not every country would be quoted every year nor are the statistics presented annually. Some countries may only appear once and for all. For example, in 1987, over 54% of imported movies in Monsterrat were from Hong



Kong. Despite that the figure being significant, I cannot include it in the table as this place is quoted only once in 1987. The case of Thailand is similar. Although Thailand has imported many movies from Hong Kong (see tables 7 & 8), the statistics compiled by the United Nations only include that for 1978-9 alone.

Due to the inadequacies of information, the above table cannot depict a comprehensive trend on the share of Hong Kong movies in different overseas markets. Nevertheless these figures give us a general picture on the overall acceptance of the Hong Kong movies by major markets.

In Europe, a number of Hong Kong movies were shown regularly in France and the Netherlands. The Australians welcome Hong Kong movies more than the New Zealanders. In America, Hong Kong movies were popular for a very short period of time in Mexico, Monsterrat, Columbia, and Venezuela. The popularity of Hong Kong movies could not last for very long so the percentage fluctuated, as indicated in the above table. Some African countries like Benin, Ghana, Guinea, Morocco and Tanzania were also regular Hong Kong movie buyers. Like South American countries, Hong Kong movies were popular at particular periods and then faded out from their cinemas.

It was in the Asian region that Hong Kong movies perform best. As reflected in the above table, the market share of Hong Kong movies was constantly high among a number of Asian countries. In most countries, the number of imported Hong Kong movies was just second to that of Hollywood products. The box office performances of several Hong Kong movies were even better than some western movies. As quoted by the Singapore Daily in 1983<sup>32</sup>, the best box office of western movies came from a Hollywood movie 'Escape from New York' in 1982 which fell behind top selling Hong Kong movies the 10th Chinese movies and S\$1.38 million far behind the top Hong Kong movie.

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<sup>32</sup> Singapore Daily (1983): 'All Top Ten Box office grossers in Singapore are Hong Kong movies' Jan 23.

This chapter attempts to establish the basis for discussion of this thesis, namely, that Hong Kong is both a regional production as well as an export centre in the movie industry. The above evidence shows that Hong Kong is not only a leading production centre but also a regional export centre, especially to her neighbouring Asian countries.



## Chapter 4: Evolution of the Movie Industry in Hong Kong

-- a socio-historical analysis

### i) An Overview

To study the process of Hong Kong evolving into a regional movie production and export centre, a socio-historical analysis can facilitate our understanding of the development pattern of the Hong Kong movie industry. Besides, this analysis also lays down a context for further analysis. However, I do not intend to write a detailed movie history of Hong Kong. Only historical events or contributing factors bearing theoretical and explanatory values to the researched issue will be included in this brief historical account.

Previous historical analyses of the movie history of Hong Kong concentrates on the rise and fall of major movie companies or contribution of certain prominent figures in Hong Kong movie industry. Few researches, if any, were undertaken to analyse Hong Kong movie history by its different stages of development. Studies of major movie companies and key figures can partly account for the development of the Hong Kong movie industry. However, an analysis through its stages of development can provide a longitudinal perspective and an overview of the history. Therefore, I would prefer to use a historical framework to present the evolution process of the Hong Kong movie history.

Yu Mu-yun (1978) is perhaps the first and the only commentator so far who has given a brief account and suggested the chronological framework for dividing up the history of the Hong Kong movie industry<sup>33</sup>. I am going to adapt his divisions for this chapter. As Yu's framework only briefly described the production figures and statistics in different periods, I shall add relevant historical materials and interpretations to supplement his framework. However, the emphasis will be placed on the contributing factors to the development of Hong Kong into a regional

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<sup>33</sup> Yu Mu-yun (1978): 'Notes for a History of Hong Kong Cinema' in Cantonese Cinema Retrospective 1950-1959, pp.41-44.

movie production and export centre. However, the changing production and export dimensions of the Hong Kong movie history will also be summarized. The production aspect will cover the characteristics of production in the movie industry, popular movie genres, major companies, the relationship between the producer, distributor and exhibitor and so on. The exportation aspect will describe the changing role of Hong Kong as an export centre in its different historical stages and its relationship with the overseas markets. This chapter will be organized by different chronological periods. According to Yu, the movie history in Hong Kong can be divided into the following stages:

1. Initial period	1896-1908
2. Nascent period	1908-1931
3. Growing period	1932-1936
4. Developing period	1937-1941
5. Quiescent period	1942-1945
6. Reconstruction period	1946-1949
7. Prosperity period	1950-1969
8. Declining period	1970-1979
9. Revival period	1980-present

## **ii) Stages of Development**

### **1. Initial period (1896 - 1908)**

The motion picture, commonly known as movie, was first introduced to Hong Kong in 1896. It was not until 1898 that movie production began to take place in Hong Kong. However, both the projection and production of movies were carried out by foreigners at that time. Although little information about production or exportation is available, this period is of significant in that it witnessed the beginning of the movie industry in the territory.

### **2. Nascent Period (1908 - 1931)**

Hong Kong Chinese did not directly participate in movie production until the second stage. In 1909, Liang Shao Bo directed and took a leading role in the



fictional short movie called 'Steal a Roasted Duck (偷燒鴨)' which was the first movie directed by a Chinese, but it was produced by an American company, the Asia Motion Picture Co<sup>34</sup>. The first cinema in Hong Kong, the Bi Zhao Cinema, was established later by a Hong Kong Chinese. In 1921, the Li Min-wei brothers organized the first movie company in Hong Kong, the Min-xin (New People) Movie Company, but it was small and made few movies. Records showed that Li produced these two movies, 'Chuang Tsu Tests His Wife' and 'Rouge', in 1913 and 1923 respectively. The former was supported by the Asia Motion Picture Co and the latter was considered, as Lent described (1990:93), the first wholly produced, funded, and acted by Hong Kong citizens.

Although the Nascent period lasted for more than two decades, the progress of the movie industry was slow. One of the main obstacles for not having the precondition to take off was the lack of capital. In 1913, Li Min-wei had to get financial and technical support from a foreign company before he could make a movie. Despite the success of that movie, Li neither had the capital nor equipment to follow up on his success. It was not until a decade later that Li could manage to produce the second movie with the financial assistance from his brothers who were compradores of *hongs*. However, the Hong Kong government did not allow the Min-xin build a studio in Hong Kong. Li also found difficulty in supporting a movie company during the Big Strike in 1925. Therefore, they moved to Shanghai and continued their production there. W C To (1972: vol 1, p.16) once suggested that the development of movie industry required huge capital and technological foundation and attributed the little progress made by the Chinese movie industry in the first decade to a lack of capital and technology. Consequently, throughout this period the movie industry in Hong Kong relied heavily on the technical support or financial assistance from the foreign companies.

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<sup>34</sup> This film and the other short film 'Revealed by the Pot' were produced by the Asia Motion Picture Co which had branch offices in Hong Kong and Shanghai and was set up by an American theatre owner, probably called Bennjamin Polaski or Brasky. Refer to Jarvie, Ian (1977) Window on Hong Kong, p.5 & To, W C (1972) History of Chinese Cinema, vol.1, p.8.



The study of S H Lau (1991:163) recorded that about 13 silence movies were produced in Hong Kong during this period. Although the official trading records had not indicated how many movies had been sold abroad, this period witnessed the beginning of the exportation of Hong Kong movie. Historical record revealed that as early as 1913 the movie 'Chuang Tsu Tests His Wife' produced by Li Min-wei was shown in America by the Asia Motion Picture Co. It was the first time a Chinese fiction movie was shown abroad.

### 3. Growing Period (1932 - 1936)

The movie industry in Hong Kong began to grow gradually during this period and prepare itself for take off later. However, its growth was not cultivated from within but rather, it was triggered off suddenly by external development.

Politics was the first contributing factor fostering the growth of the movie industry in this period. In 1930, the nationally famous Lian-hau (United the Chinese People) Movie Company<sup>35</sup> set up its administrative headquarters in Hong Kong and two years later, it made movies in its Number 3 Studio. Other movie companies followed suit and it was estimated that about 50 movie companies were set up during this period. Most of the movie companies setting up in Hong Kong for political reasons. Many movie companies and movie workers took Hong Kong as a shelter from Japanese invasion in China and the political rivalry between Communist-Kuomintang during this period. But for such political crisis, it is doubtful whether the Hong Kong movie industry could have grown so quickly by itself. Although the capital from famous Hong Kong tycoons like Lee Hysan and Ho Tung, to some extent, did contribute to the progress of the local movie industry in the early decades, it was not until those national movie companies which brought along the capital, management skills and technologies that the Hong Kong movie industry developed in a significant manner.

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<sup>35</sup> This company actually was financially supported by a famous Hong Kong person Sir Ho Tung. Therefore, the administration headquarters was established in Hong Kong. See To, W C (1972), The Film History in China, p.84.



Movie historians agreed unanimously that the introduction of sound was another favourable factor fostering the development of the Hong Kong movie industry<sup>36</sup>. Although no exact date was quoted, the sound track technology was introduced during this era. According to Yu (1978), the first indigenous movie of Hong Kong, ie, the Cantonese movie, as distinguished from the mainstream Mandarin movies made in Shanghai, was produced in 1935<sup>37</sup>. This technological advancement not only started a new era of Cantonese movie production in Hong Kong which lasted for the next 40 years, it also established a tradition for Hong Kong as a movie production and export centre<sup>38</sup>. As movies in Cantonese dialect were so popular in the Southern China and the Southeast Asia that these external markets contributed to the increasing production of Cantonese movies in the mid-1930s. In retrospect, the under-development of the movie industry in the Nascent period can also be accounted for by the fact that movies produced in Hong Kong during the period were devoid of sound and therefore lacked local characteristics.

The popularity of the Cantonese movies could also be explained by the cultural affinity among those Cantonese speaking Chinese. It is estimated that more than 60 million Chinese in the world at that time spoke Cantonese and these people would prefer to watch movies produced in their own dialect<sup>39</sup>. Jarvie (1977:3) claimed that Cantonese formed the second largest language-subculture group in China (after Mandarin), mainly comprising the 30 to 40 million Cantonese speakers in South China. This, coupled with 8 to 10 million overseas Cantonese

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<sup>36</sup> Refer to To, W C (1972): History of the Chinese Cinema, Vol.2, p.32; Ching, Li & Ying (1978): The Development of Chinese Film History, Vol.2, p.77; and Jarvie Ian (1977): Window on Hong Kong, Chapter 1, p.3.

<sup>37</sup> 余慕雲：〈「五十年代粵語電影回顧展」的我見我聞〉《明報月刊》第125期，頁25 Yu Mu-yun (1978): 'My personal view on the Cantonese Cinema Resptropective 1950-9' in Ming Pao Monthly, Vol. 13:8, No. 152, p.25.

<sup>38</sup> Lent, John (1990): 'Hong Kong' in The Asian Film Industry, Chapter 4, p.93 and To, W C (1972) History of the Chinese Cinema, Vol 1, p.32.

<sup>39</sup> Yu Mu-yun (1978): 'My Personal View on the Cantonese Cinema Survey 1950's' in Ming Pao Monthly, Vol. 13:8, No.152, p.27.



speakers scattered in countries like Singapore, Malaya, Indonesia, Borneo, Thailand, Vietnam, Burma, and the Chinatowns in the Western hemisphere, presents an enormous commercial temptation to the cinema business.

This period witnessed the beginning of Cantonese movie production. Between 1932-36, more than 100 movie, including silent and sound movies, were produced in Hong Kong. In addition, it also witnessed the development of both the internal and overseas markets. As regarded by many movie historians, the territory was established as the movies production centre in China<sup>40</sup>. The growth of this period reflected that the availability of capital and technological support were crucial to the development of an infant media industry.

The official trading figures revealed that an average of 1 million dollars value of Hong Kong movies were exported each year. Mainland China was the biggest buyer at that time who shared 60-70% of the total movie export values. Macao came the second who shared another 15-20%. This distribution pattern revealed that movies produced in Hong Kong mainly went to the China market. Hong Kong played a supportive role as a national movie production and export centre seconded to Shanghai. Although movie trading activities between Hong Kong and other overseas markets like Indo-China, Philippines, Siam, Malaya and so on started during this period, the percentage was insignificant.

#### **4. Developing Period (1937 - 1941)**

During this period, the political factors continued to be the predominant factor contributing to the development of the Hong Kong movie industry both in production and exportation aspects. Firstly, the internal struggle between the KMT and CCP and the external threats of the Japanese invasion caused the second influx of movie workers and capitals for movie production into the movie industry of

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<sup>40</sup>. Jarvie, Ian (1977): Window on Hong Kong, Chapter 1, p.9; To, W C (1972): History of Chinese Cinema, Vol 2, p.32; and Ching, Li & Ying (1978): The History of Development of Chinese Cinema, Vol.2, p.77.



Hong Kong. Another political event was the adoption by the Kuomintang government of the policy of 'strict forbiddence of the production of Cantonese movies' to facilitate 'the centralization of the national language'<sup>41</sup>. Thus, many Cantonese movie producers in Shanghai moved to this British colony to continue their production.

Chinese movie history in the 1930s repeatedly showed that during periods of political crises, Hong Kong would always substitute Shanghai as the national movie production centre. The reason why Hong Kong, instead of Canton, was chosen was also due to political reasons. The laissez faire policy and free trading conditions were favourable factors to the development of movie industry. Movie production and trading in Hong Kong enjoyed many benefits and advantages like free importation of raw materials, low cost for studio land and minimal taxes, regulations and licences, etc (Armes 1987:158). In addition, her status as a British colony also fostered the trading activities among other British colonies or British areas of influence in Singapore, Malaya, Borneo, and Burma (Jarvie 1977: 3-4).

The second major factor contributing to the development of the local movie industry during this period was the competitive advantage of the Hong Kong movies.

Notwithstanding the turbulent events on the mainland, only a limited number of movies produced in Hong Kong during this period were related to the Sino-Japanese war or were attempts to arouse audience's patriotic feeling. Most of the productions were concerned with entertaining the audience by producing

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<sup>41</sup> There was a dispute over the accuracy of this policy. The autobiography from a famous Cantonese movie actor Wu Cho-fan doubted that this policy was only a rumour. However, some historians like To, W C (1972, vol 2, p.32), Ching, Li & Ying (1978, vol 2, p.77) and Jarvie (1977:10) have mentioned about this policy and opined that it was only because of the outbreak of the Sino-Japanese War that this policy was unable to be implemented. As both the rightist and leftist historians had acknowledged the same policy, it would be grounded to believe the accuracy of this policy.



mythological and legendary fables, sword-play adventures and romances with an extremely narrow scope in theme. Most of them did not deal with or reflect social reality. In a sense, these productions served as a form of escapism for the audience. This 'escapism' tradition became a major characteristic of Hong Kong movies which could appeal to audience in different parts of the region.

Moreover, the low production cost of the Cantonese movies was another advantage for their survival. The cost differentiation began to take place during this period between Mandarin and Cantonese movies. For a 10,000 feet feature, the average cost for a Mandarin movie was \$20,000 to \$40,000 while a Cantonese movies would cost \$8,000 to \$10,000<sup>42</sup> on the average. The low-cost Cantonese movies were far from sophisticated by Western or even Shanghai standard. It is no wonder that the Westerners called the Cantonese movies products of a 'shoe-string budget' or 'z-grade productions'. However, the low cost production gave room for the survival of the Cantonese movie, especially when the development of the local movie industry still relied on the Shanghai investors who paid little respect to the indigeous Cantonese movies and only regarded Mandarin movies as the conventional movie genre. Moreover, their low cost and poor quality characteristics did not affect the popularity of Cantonese movies in the overseas markets as it was a genuine response to the market demand of the traditional folk culture from the overseas Chinese.

The factor of cultural affinity continued to be an important factor facilitating the continuous growth of the Cantonese movies during this period. Through these movies, Cantonese popular culture like operas, sword-play epics and so on provided a network linking the dispersed overseas Chinese to their southern homeland. Therefore, Hong Kong has been an established centre of Cantonese movie exportation since the late thirties (Jarvie 1977:10). Her movies went to Macau,

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<sup>42</sup> The estimation is based on the production costs of post-war period which as the authour quoted, was five to seven times increase of the pre-war period. Refer to Liang, K. Ronald (1948): 'The Motion Picture Industry in Hong Kong' Far Eastern Economic Review, May 5, pp.443-4.



Kwangtung, Kiangsi and parts of Fukien in China. Overseas, the movies were shown in Malaya, Singapore, Siam, the East Indies, Burma and the Philippines, not to mention the Chinatowns in Australia, America and Canada, etc.

The number of Cantonese movies increased dramatically during this period: 400 between 1933 and 1941, about 44 a year or 1 every 8 1/2 days (Jarvie 1977:14). Yu called this period 'the Developing Period' as many excellent and representative movies were made during then. Many Cantonese movie workers believed that Hong Kong had replaced Shanghai as the 'movie production centre' at that time<sup>43</sup>.

### 5. Quiescent Period (1942 - 1945)

During the Pacific War, Hong Kong could not escape from Japanese invasion and was occupied by Japan from 1941 to 1945. Yu called the Japanese occupation period the Quiescent Period as movie production ceased almost completely at that time. The Japanese set up an organization to regulate movies and banned anti-Japanese movies. As the great majority of Hong Kong movie workers refused to cooperate, only the Japanese made some movies. Although movie production ceased, 27 theatres re-opened and showed 137 new pictures in 1943. Most of them were Japanese and Chinese movies, the latter being made in Shanghai (Lent 1990:94). However, some movie companies like Grandview continued Cantonese movie production in USA. This company produced 18 feature movies, most of which were in colour. It was the first time Cantonese movies were produced in colour. The company also exhibited the first Cantonese movie shortly after the war<sup>44</sup>.

### 6. Reconstruction Period (1946 - 1949)

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<sup>43</sup> 程季華等編：〈中國電影發展史〉下卷，第二版 頁277

Ching, Li & Ying (1978): The History of the Development of Chinese Cinema, Vol.2, p.77.

<sup>44</sup> Yu Mu-yun (1982): Cantonese Cinema Retrospective 1960-9, p.47.



Yu called the 1946-9 period the Reconstruction period as more than 500 movies were made during this period. However, W C To (1972) thought that this was a confusion period because most of these movie productions were sub-standard and unprofessionally made<sup>45</sup>. To most movie-makers, this period was only a transitional period. The political instability in Mainland China continued and Hong Kong resumed her pre-war status as one of the movie production and export centres.

The socio-psychological condition at that time became a contributing factor to the rapid recovery of the entertainment business. After the turbulent Japanese occupation, the Hong Kong society and Southeast Asian countries had not yet recovered and the audience was looking for something that could help them escape from their unhappy memory and insecure reality. Movie production was active in producing popular movie genres like mythologies and fables which were an outgrowth from the market. Therefore, Cantonese movies continued to be popular and were exported to the overseas Chinese markets. As a result, huge quantities of movies were made during this period.

Besides, some Cantonese movie companies' seized this post-war opportunity to earn quick money unscrupulously which also fostered an increased number of movie production and export. As some of these companies were owned by theatre owners in Southeast Asia, they emphasized the quantity of production and immediate return of their investment whereas the quality of production was not their primary concern, if there was any concern at all. Active movie companies producing Cantonese movies were Grandview (1935 - 1954)(formerly Luan-Hua), Kwong Ming, Sze Tak, Yau Keui and so on.

Some serious movie producers and artists were not contented with these unhealthy phenomena in the movie industry and initiated a series of movements like the Unification Movement, the Clean-up Campaign, the Film Collectivisation

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<sup>45</sup> 杜雲之：〈中國電影史〉第二冊 1972 頁108

To, W C (1972) History of Chinese Cinema, Vol. 2, p.108.



Movement and the New Democratic Enlightenment Movement which aimed at stimulating production, increasing the intellectual calibre of the movie workers and advancing the concept of teamwork in movie-making. Both Lent (1990:95) and Lin<sup>46</sup> proposed that these movements provided the foundation for the industry's prosperity in the later decades by enhancing the unity and morale of the movie workers. This campaign also constituted to the formation of a famous Cantonese movie company, the 'Zhong-Luan', which was formed by serious movie workers and artist and aimed at producing quality Cantonese movies.

Another reason accounting for the prosperity of the Cantonese movies was the availability of the financial sources, the monetary support obtainable from overseas before production. Although no exact time was recorded as to the commencement of this 'Pre-sale' practice, it was estimated that this practice started as early as mid-1940s. By this practice, the movie producer could raise money, say, in Singapore, by proposing a cast and sometimes a story. With this he could then start shooting, and then sell further stakes in the completed movie to other areas. Many movies were commenced but were never completed. Others were completed but the movie crew was never paid. Despite its anomalies, this practice served to strengthen the development of the Cantonese movie industry and fostered the interdependence between local production and the overseas market.

Before 1947, Cantonese movies were exported by outright sale to Malaya, Singapore, the Netherlands East Indies and Indo-China at an average of \$8,000 per copy, to North and South America at \$3,500 per copy and to the Philippines and Siam for as little as \$1,500 per copy. This brought an average earning of about \$30,000 to \$40,000 per movie. Liang further added that Cantonese movies could count on earning some \$12,000 from Hong Kong and Macau, \$8,000 from the

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<sup>46</sup> Lin, L T (1979): 'Some Trends in the Development of the Post-War Hong Kong Cinema' in Hong Kong Cinema Survey 1946-1968, p.18-20.



United States and the Philippines, and about \$22,000 from the rest of the Far East<sup>47</sup>.

This period also witnessed an increased production of the Mandarin movies<sup>48</sup>. Companies famous for producing Mandarin movies were Great China, Good Friend, New Generation and so on. As mentioned in the previous paragraph, major dissimilarity between Cantonese movies and Mandarin movies lies not so much in their language difference but in their respective market differentiations and cost of production. This dichotomy lasted for three decades and it was not until the late 1970s that it gradually disappeared.

However, no Mandarin pictures at that time were sold to foreign countries and they were produced mainly for the cinemas of China and Hong Kong which took them on a commission basis<sup>49</sup>. After the People's Republic of China was established, most of the movies produced in Hong Kong became taboos and were prohibited in China. The closure of the China market weakened the audience base of the Mandarin movie. Some Mandarin movie companies, like Da-zhong-hua, found it difficult to survive without the mainland Chinese market. Since then, the movie products, no matter in Cantonese or Mandarin, were targetted at overseas Chinese with a view to compensating for the loss of the mainland Chinese market.

## 7. Prosperity Period (1950 -1969)

The year 1949 might be called the watershed of the Hong Kong movie history. Before that Hong Kong was subordinated to Shanghai and always looked to her for financial and technological assistance. After 1949, Hong Kong could no

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<sup>47</sup> Liang, K Ronald (1948): 'The Motion Picture Industry in Hong Kong' in Far Eastern Economic Review, May 5, pp.443-4.

<sup>48</sup> To W C (1972): History of Chinese Cinema, Vol.2, Chapter 19, p.106.

<sup>49</sup> Baird, David (1947): 'Hong Kong Industrial Reports Motion Picture Industry' in Far Eastern Economic Review, September 3, p.338.



more rely on Shanghai but had to develop on her own feet. Again for political reason many capitalists flocked to Hong Kong to escape from communist rule. They brought along technology, management expertise and capitals and sought investment opportunities in Hong Kong. Certain studios, formerly located in Shanghai, moved their base to Hong Kong. Coupled with the continuous growth of the local movie industry in the previous decade, these Shanghai movie-makers enabled Hong Kong to replace Shanghai's position as a movie production centre in the 1950's.

Another political factor that fostered the prosperity of the Hong Kong movie industry was the polarization of political powers between China and Taiwan. Hong Kong was coming to see itself as an outpost of the 'free world'. Despite the progressive communists' infiltration and propaganda in the Hong Kong movie industry, Hong Kong, Taiwan, Singapore, Malaya and most of the Southeast Asia were places where audience and censors made leftist movies less and less welcome. It was this rightist tinge, according to Jarvie (1977:33), that shaped the entire Asian theatre. Hong Kong's free world status played a neutral role between the left and right political powers. Actually, the leftist movie companies also actively participated in movie production in the 1950s. However, it was the rightist inclination of the whole industry that enabled the Hong Kong movie products to be accepted by other Asian countries.

During this period, movie products began to diversify to cater to different market segments. It was the golden age of Cantonese pictures. Moreover, a large number of Mandarin movies and a small number of Fukienese and Chiu Chau dialects movies were also produced. Following the pattern of the previous decade, the Mandarin movies were of a higher standard in production and employed better known actors with higher production costs than the Cantonese movies.

The total number of Cantonese movies produced in this period was more than 4,500, nearly equivalent to a half of all that Hong Kong had made so far. The average number of movies produced during this period amounted to 200 a year, and reached near 500 at its peak. The regular and steady production of Hong Kong



movies during this period strengthened its position as a world movie production centre.

The prosperity of the movie industry in these two decades also had something to do with the mode of production. Both the independent movie companies and the major studio contributed to the prosperity of the Hong Kong movie industry in different ways. According to the 1968 Annual Report, there were a total 51 independent production companies making movies for domestic and overseas audiences. The Shaw Brothers and Cathay were two principal companies controlling the bulk of 28 shooting stages. The other six, smaller independent companies also had studio complexes.

Before the production scene was dominated by big studios, there was a period which witnessed the rise of independent movie companies. T Y Li of Yung Hwa Studio (1947-1956) might be the first producer investing large amounts of capital to high quality Mandarin movie production. However, the Mandarin movie market, without China and before expansion to Southeast Asia, was too small to sustain the survival of this company. This fact, coupled with the destructive activities undertaken by the leftist movie workers, led to the collapse of Yung-hwa. It was later taken over by Motion Picture & General Investment Co Ltd (MP & GI) or the Cathay Organization.

Hsin-hwa (1951 - 1958) was another noteworthy independent which contributed to the progress of the Mandarin movies. Led by an experienced Shanghai movie-maker S K Chang, this company had produced many commercial movies, secured profitable box-office, expanded the Mandarin movie market and brought along colour technology to Mandarin movie production. The death of Chang signified a decline of the independent movie companies and the rise of large movie studios.

Lee and Chang were representative movie figures from Shanghai. However, the Hong Kong movie empires in the late 1950s and 1960s were built up by two



famous businessmen from Southeast Asia -- Lok Wan Tho and Run Run Shaw. Their interest in joining the movie industry of Hong Kong began in 1949 when Hong Kong became the only source of Chinese movies. The three big theatre chains in Singapore and Malaya, namely, the Cathay, the Shaw Brothers and the Kwong-yi began to take a markedly strong interest in Hong Kong. While Cathay and Shaw Brothers started their productions here, Kwong-yi preferred to finance independent companies.

MP & GI (1956 -1965), later changing its name to Cathay (1965 - 1970), was a subsidiary of the Cathay Organization in Singapore and owned by a famous businessman, W T Lok. This company's golden age was between 1957 -1961 when many stylish melodramas, comedies and musical movies were produced. Although the company could manage to produce 20 movies a year, it found competition with Shaw Brothers difficult in the 1960s. Cathay declined after the resignation of the general manager and the death of W T Lok and the Mandarin movie industry was then dominated by Shaw Brothers.

Shaw Brothers (1957 - ) set up the largest movie production scale in the movie history of Hong Kong. It was the only company which can be described as a typical vertical integration of the movie industry, i.e., all stages of movie production, distribution, and exhibition integrated into one organization. The Shaw family had built up distribution network between Shanghai and the Southeast Asia in the early 1930s. In the 1950s, the ambitious Run Run Shaw relocated from Singapore and established the largest movie studio in this region. He drew up plans for new studios, established an acting school, imported technicians from Japan, the US and Europe to instruct his crew, brought modern equipment and built new theatres in Hong Kong. He promised to produce 35 movies a year, he copied Hollywood's big studio system of assembly-line basis and produced movies in the most economical fashion. In its heyday, Shaw studios worked around the clock in three eight-hours shifts, producing an average of 40 movies a year on a budget of \$2.5 million each. More than 1,000 movies of these were low budget, 'formula' musicals melodramas, and martial arts became the staple diet in the late 1960s.



The famous company in Cantonese movie production during this period was the Zhong-luan Movie Company (1952 - 1967). This company contributed to the development of the Cantonese movie industry by producing a sizable number of classical Cantonese movie for local cinema. Most of Zhong-Luan's productions were characterized by their depth and thoughtfulness which enhanced the popular esteem for the Cantonese cinema as a serious art form both locally and overseas. This 'revitalisation' in turn spurred a rapid increase in the output of Cantonese movies, which was illustrated by the fact that both Shaw and MP & GI simultaneously developed departments to produce Cantonese movies in 1955. Other famous Cantonese movie companies in this period included Xin Lian, Hua-qiao, Kwong-yi and so on.

The prosperity of 1950-1960 in movie production and export was the result of the majors companies' vertical integration. When Cathay and Shaw Brothers established their respective movie companies in Hong Kong, both were connected with their well-established distribution and exhibition network in the Southeast Asia. Therefore, the Mandarin movies produced by these companies could be shown on their overseas cinemas regularly. Malaya (later Singapore and Malaysia), Taiwan, Indonesia and Thailand remained the major buyers of Hong Kong movies during this period. The role of Hong Kong as a movie export centre was further strengthened during this period.

However, W C To interpreted this prosperity period from another angle. He thought that the movie industry in Hong Kong was controlled by Singapore and Malaysia and lacked its own development<sup>50</sup>. As Hong Kong became the only source providing Chinese movies after 1949, the number of movies produced in Hong Kong during early 1950s could not meet the insatiable demand of the Southeast Asia markets. In order to secure a regular number of movies to be exhibited in their theatre chains, Run Run Shaw and Lok Wan Tho inevitably participated in the movie production in Hong Kong so as to maintain a regular

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<sup>50</sup> To, W C (1972): History of the Chinese Cinema, Vol.3, p.124.



output. Therefore, they set up big movie studios in the 1950s to ensure large scale of movie productions. Following the decline of the independents in the 1957, the Shaw and Cathay were the two remaining production leaders in Hong Kong movie industry. Besides financing the small companies for movie productions, they were also responsible for all exhibition matters in the Southeast Asia, e.g., the independents have to rely on them to enter the Southeast Asia markets. W C To therefore asserted that these two Southeast Asian companies did directly control the Hong Kong movie industry.

To's assertion gave an explanation to the market push and pull theory which implied that Hong Kong was only a big manufacturing studio supplying movie products for the overseas market. Hong Kong did not intend to be a regional movie production and export centre but the demand from the overseas markets enabled it to become one. The prosperity of the Hong Kong movie industry was actually initiated by overseas markets.

The gradual decline of Cantonese movies was due to various reasons. As the distribution and exhibition networks were monopolized by Cathay and Shaw Brothers' companies, they could exert pressure on the independents by trimming down their profits and later even cancelling the 'pre-sale' practice. These unfavourable conditions made it difficult for independents to survive. On the other hand, the increasing popularity of quality Mandarin productions in both the internal and Southeast Asian markets also affected Cantonese movies markets. The introduction of television broadcasting later was proved to be the fatal blow to low budget Cantonese movies.

## **8. Declining Period (1970 - 1979)**

Entering into the 1970s, the Hong Kong movie industry faced a period of adjustment. The introduction of television broadcasting upset the previous balance in the media industry and the movie industry was unable to regain its popularity thereafter. In 1967, only 15% of all households owned television sets. The



percentage increased to 70 in 1971. In contrast, the number of cinema attendance dropped continuously from 98 million in 1967 to 53 million in 1976 and remained stabilized at 60 - 65 million in the late 1970s. Movies were losing a large proportion of their audience due to the introduction of television and other fundamental changes in society.

The structural change of demographic composition of Hong Kong also affected the development of the local movie industry. The percentage of the potential movie-goers, age between 10 - 35, increased from 39% in 1961 to 43% in 1971 and 49% in 1981. The enlargement of the potential audience base gave the possibility for further expansion of the local market. However, their rise in education level led to a shift in taste and a rise in appreciation level which contributed to the demise of sub-standard Cantonese movies and a demand for quality productions. It was no wonder the imported foreign movies shared 2/3 of the local box office during this decade. Foreign movies were competitors of the Hong Kong movie industry in the 1970s. Therefore, this decade was an overall declining period. Faced various competitors, the Hong Kong movie industry had to re-position itself in the media market.

The beginning of the 1970s witnessed the diminution and overall decline of the Cantonese movie genre. Many famous movie companies, such as Zhong-lian (China United), Guang-yi (Bright Art), Cathay (Peaceful Country), Chang-cheng (Great Wall), Feng-huang (Phoenix) and Xin-lian (New Alliance), were either closed or reducing production. Many independent companies moved to Taiwan to make movies there. As a result, the number of movies produced yearly dropped abruptly to less than half of its former quantity to about 80. Later there was a slight increase, but the number was still no more than 100. The world famous Shaw Brothers for a time cut back its expenses in order to remain economical.

After the decline of the traditional Cantonese movie genre, the industry had to develop new movie genres to meet the demands of the rapidly changing audience. In order to retrieve audience from television, movie companies have to



provide something television could not do. Therefore, morally degenerate movies about sex, violence and vulgarity constituted the mainstream of Hong Kong movies during this period. The domination of these subjects reflected that the movie industry attempted to establish its uniqueness.

The success of the Kung-fu movies and indigenous comedies genres were parts of the progress. Box office records reached new heights with Bruce Lee's and the Hui's brothers' movies in the mid-1970s. These box-office miracles revealed the potential of the domestic market. Produced on the assumption that they could differentiate from the television attraction, these two film genres became the most popular genres throughout the 1970s. The movie industry also became more indigenous and contextualized so as to meet the demand of the local audience. Movies with Hong Kong characteristics began to evolve.

The 1970s were also a transitional period from the control of the big studio system to the rise of independent studios. Shaw Brothers still managed to produce a large number of movies to meet the demand of an elaborate distribution network in Hong Kong, Taiwan, Southeast Asia, Canada and the US in the early 1970s. However, the overhead of this movie empire was too large to be trimmed on any movies. The centralization of decision making in Run Run Shaw also made delegation difficult. The shrinking of the audience base could not sustain a high output studio. The former advantages in the big studio system became a burden and could not respond to the rapidly changing 1970s. As a result, Run Run Shaw shifted his interest to the television industry in the later years. That brought about the gradual decline of the big studio system in the early 1980s.

The emergence of Golden Harvest in the 1970s reflected a new kind of movie production model, the independent producers. Unlike the studio which centralized all resources for movie production, the independents were more flexible and dynamic. The independents were normally backed up by distribution networks and/or exhibition circuits and were solely responsible for the budget of producing a movie. Some of them could even be financed by private funds. The first advantage



of the independents was that decision making was more centralized in a small group of decision makers who could be more dynamically respond to the change of market taste. They also paid more attention to the scripts to enhance their entertainment values of a production. The profit sharing system with the major actors was also introduced by Golden Harvest which directly increased the performance standard. This mode of production became the major trend of movie production all along late 1970s and 1980s.

Raymond Chow moulded the 1970s as much as Shaw moulded the 1960s. Raymond Chow was the former right hand man of Run Run Shaw and set up Golden Harvest in late 1969. With financial support from Taiwan and Bangkok, Golden Harvest began to produce an average of 12-15 movies annually by using former Cathay studios and its Malaysia/ Singapore distribution facilities. The take-off of this independent studio began with the success of Bruce Lee's kung-fu movies. The three-and-a-half internationally acclaimed kung-fu movies grossed million of dollars for Golden Harvest. The kung-fu movies of Bruce Lee rapidly expanded the world market for Hong Kong movies. Golden Harvest soon broke away from the Far East markets. By 1975, the company already had the largest circuit of Hong Kong theatres, and its movies were exhibited in 500 other theatres in Japan and Southeast Asia. It became a 24-company conglomerate. In 1978, it also acquired Cathay Movies Ltd of London, a world-wide distributor (Lent 1990:100).

The popularity of the Kung-fu movie in the local and overseas markets was another achievement during the declining 1970s. It was the overall success of the Kung-fu movies featuring Bruce Lee that soon swept both the local and overseas markets and broke the box-office records in many countries in the mid-1970s.

The surge of Chinese kung-fu movies produced by Shaw Brothers and Golden Harvest inspired the production of hundreds of similar movies by independent companies. Movies produced in Hong Kong, dubbed and sub-titled in various languages, were attracting large audiences in many parts of the world. The development of these new markets in Europe, the United States, the Middle East,



Africa and elsewhere provided a considerable stimulus to local producers. As Hong Kong was no longer limited to their traditional Southeast Asian outlets, Hong Kong movies even unprecedentedly broke previous records in the number of the overseas markets. There was a time in the early 1970s when the movie companies paid no attention to the internal market as it could only generate one quarter of the total profits. Some Kung-fu movies were even tailor-made for overseas markets and not exhibited in Hong Kong<sup>51</sup>.

The Hong Kong Kung-fu movies marked the first time that an Asian movie type spawned a world famous vogue. In Asia a number of countries followed Hong Kong in producing martial-arts movies, including Japan, Indonesia, Korea, Thailand and Philippines<sup>52</sup>. Different Asian countries have diverse martial-arts cultures, e.g., the Samurai warrior of Japan and the Boxer and Snake Fighter of Thailand. Nevertheless, it was Hong Kong that took the lead to raise the world's consciousness of Asian martial-arts movies.

The worldwide success of the Kung-fu movies enabled Hong Kong movie-makers to gain more freedom from the domination of the traditional Southeast Asian markets and became more independent from their control. The success of the kung-fu genre has strengthened the export values of Hong Kong movies. It was the first time, throughout movie history, that Hong Kong movies had been able to enter the international market. This successful experience become an inspiration for later movie productions.

It goes without saying that much of the success of these Chinese 'action' movies could be attributed to the growing worldwide interest in kung-fu, karate and other martial arts. No other movie genres, however, can enjoy the same popularity

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<sup>51</sup> Li, C T (1984): 'A Brief Introduction to the Hong Kong Film Market, Distribution and Production System' in Sin, K Y ed. Essays on Hong Kong Film Industry, ( 〈電光幻影——電影研究文集〉 ) jointly published by RTHK and the Extra-mural Department of the Chinese University of Hong Kong, 1985.

<sup>52</sup> 'The Second Coming' in Asiaweek, July 27, 1979, p.37.



outside the Southeast Asia market. Nevertheless, the popularity of those kung-fu movies diminished in the international market soon after the death of Bruce Lee in 1973. It was not until the rise of Jackie Chan in early 1980s that more overseas outlets for Hong Kong movies were explored.

Actually, the conditions for movie exportation in late 1970s were not that favourable as the Hong Kong movie industry faced more and more restrictions from the traditional overseas markets. Overseas markets were either lost (such as Cambodia and Vietnam) or were restricted (mainly Southeast Asia) and continued to shrink. In the mid-1970s, Indonesia began to reduce the quotas for foreign imports, cutting Mandarin pictures to around 80 titles annually. Singapore did not produce many movies, but imposed taxes reaching 40%. A puritanical government also enforced strict censorship. In response, the Hong Kong movie companies, like Shaw Brothers, set up production companies in Singapore to start co-production. In Malaysia, the government had set import quotas and levied high custom duties. Cinemas were required to alternate local movies with more popular foreign offerings. Movies 'tainted by Chinese chauvinism' violated Malaysian laws and would be prohibited. In Thailand, the government had set the world's highest import taxes tickets for foreign movies at a higher rate than domestic efforts -- 35% vs 25%. The major hindrance to the Taiwan market was censorship. The Nationalist government was sensitive about movies which might 'agitate'. For instance, a movie can be banned for depicting criminal behaviour in detail, exalting superstitions or unorthodox thoughts, discrediting a friendly nation, or discouraging the people's will to fight against communism. In response, Hong Kong producers often turned out two versions, one for Hong Kong and one for Taiwan (Bishop 1985:70).

In sum, Hong Kong continued to be a regional movie production and export centre during the 1970s. In the domestic market, the major challenge of this decade was the increased popularity of television in the media market. The success of the Kung-fu and indigenous comedies in this period reflected that the local movie industry gradually established its own characteristics. Therefore, this decade can be seen as a landmark era in which the local popular indigenous culture was fully



established. On the other hand, the active expansion of new overseas market was a response to the shrinking local audience base and increasing trading restrictions imposed by Southeast Asian markets. Moreover, the decline or collapse of movie companies like Zhong-lian and Feng-huan reflected that movie companies established with ideals like producing better quality movies were difficult to survive in a city increasingly emphasizing profit-seeking as the cardinal principle of virtually every business enterprise or activity. Therefore, this decade marked an era in which the movie industry became further commercialized and more profit-conscious.

### 9. Revival Period (1980 - present)

As Yu wrote the analysis in 1978, he was unable to cover the last period, i.e., the Revival period. Yu predicted that the revival of movie industry would arrive after the declining period. Production statistics mentioned in the previous chapter proved that Yu's prediction was correct. The number of productions began to stabilize with an average of 138 movies a year in 1980s, after a temporary drop in movie productions in the 1970s. Audience attendance remained around 60-65 million a year.

Following the previous decade, the demographic and societal changes in the Hong Kong society continued to shape the development of the Hong Kong movie industry. The popularity of television programmes in the 1970s created a spectacular growth of popular culture and a unification of public taste<sup>53</sup>. Moreover, the increasing number of educated and affluent viewers in the 1980s also created a demand for entertainment business. The emergence of the video cassette market also joined in the competitive media field. Movie-going became an occasional activity instead of a habit as it was in previous decades. The movie industry faced more challenges from the media business. Their primary task had to be to convince the potential audience that movies are different from other entertainment forms

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<sup>53</sup> Kung, J & Zhang, Y (1984): 'Hong Kong Cinema and Television in the 1970s: A Perspective' in A Study of Hong Kong Cinema in the Seventies, Hong Kong Urban Council, p.14-5.



and well worth watching. Therefore, the local movie industry had made some drastic changes to cope with these challenges.

The first response was the introduction of new elements for movie production. Traditional production techniques could not satisfy the changing taste of the local audience. The rise of New Wave directors like Ann Hui, Allen Fong, Tsui Hark and so on at the beginning of this period witnessed an integration of the old and new film elements, as well as television and movie production techniques. They brought new ideas and movie concepts to the local production scene. Tsang Chi-wai thought that it was the best time of the Hong Kong movie industry as the New Wave incorporated Western movie system, like the introduction of art directing, into the Hong Kong movie industry<sup>54</sup>. Moreover, they deviated from the traditional movie and television sensibility and stressed auteurship. They also tried to develop new film genres by mixing the two predominant film genres, i.e., the Kung-fu and comedy. The introduction of popular TV actors into the big screen, like the famous Chow Yun-fat and Andy Lau, was also their contribution. The Hong Kong movies industry became more indigenous and diversified since then.

The introduction of 'successful formula' by Cinema City was another strategy to attract the mass local movie audience. They believed that box office success could be secured by producing 'blockbuster's through a well calculated formula, i.e., big casts, high budget, comedies with spectacles and collective creation. This formula did obtain overwhelming success in the local box-office in early 1980s and many movie companies followed suit. The audience base was also enlarged by attracting more parents and children viewers.

The trend of big budget production was another result of the success of the Cinema City's 'formula'. Movie companies tended to believe high investments could generate more profits. Therefore, the 1980s witnessed a rapid increase of average

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<sup>54</sup> 林啟健：〈新導演何去何從〉《電影雙周刊》第332期，1991年12月24日-1992年1月8日，頁58-62 Lin, K K (1992): 'Monthly Meeting' in City Entertainment, No.332, Dec. 24, 91 - Jan. 8, 92, p.58-62.



movie budget for big casting and technical innovations. According to the Far Eastern Economic Review, the production cost of an average Kung-fu movie was escalating and the budget in 1983 increased by 1000% compared with that of the 1973<sup>55</sup>. In 1972, the cost of an average Kung-fu movie was between \$300,000-\$500,000. Even Bruce Lee's second movie 'Fist of Fury', which was shot in Thailand, cost only HK\$600,000. In 1978, the average budget for a Kung-fu movie rose to around one million. 'Warrior II' (1978) had a budget of two million. By 1981 Michael Hui's comedy 'Security Unlimited' was shot for 9 million. One year later, Jackie Chan's 'Dragon Lord' was budgeted at around 16 million which was enough to produce 30-50 average kung-fu movies ten years ago.

The high budget investment also accounted for the needs for overseas markets. Despite many high budget movies had created new box office records in the early 1980s, not all of the later productions obtained a similar success. In most cases, the actual returns on movies did not increase in proportion to the increase in production costs. Some high-budget productions with an investment of more than 20 millions only brought about returns of several million in the local box-office. The movie business gradually became a high-risk investment and this was the main reason why the quantity of movies made in this period could not be maintained at the same level as those of the 1950s -1960s. In order to lower the risk for movie investment, many movie companies as a result actively explored new overseas outlets. The rapid expansion of overseas markets in 1980s was best illustrated by the fact that the total number of countries, at its peak, was 90 countries. Besides, the presence of big casts was a necessity to attract foreign investors and appeal to overseas audience. Therefore, inflated production cost has reciprocal relationship with overseas markets.

An interview with Mr Chan from Golden Harvest may best illustrate the dilemma of the movie companies in the 1980s:

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<sup>55</sup> Findlay, Ian (1983): 'Hong Kong's Cinema Survive, Despite Soaring Production Costs' in Far Eastern Economic Review, October 20, p.62.



'The box-office guarantee is not safe; it's a gamble. Tastes of Southeast Asian countries have all gone different ways. Twenty years ago, we'd do a picture and it would be all right every where. It's not the case now. We either do a small budget picture now aimed specifically for Taiwan or Singapore or elsewhere in Southeast Asia, or a big budget movie that will hit all countries. Nothing in-between.'(Lent 1990:106)

This interview revealed that low budget productions were no longer safe in the Southeast Asian markets because of the change of the audience tastes. Movie companies had little choice but to produce big budget movies in order to hit the world market. Nevertheless, even high budget investments were not sure-win in box-office returns. There was a gradual trend that investments of movie production in Hong Kong became a kind of gamble and bore higher risks.

The expansion of international and not merely Southeast Asia markets became a primary goal for the Hong Kong movie industry in the 1980s. According to K C Chan (1991), Hong Kong movies entered the international market in the following ways:

1. Participating in international film festivals like Milan, Cannes and so on so to expose to the international movie-buyers,
2. Exhibiting quality movies in foreign artistic theatres, and
3. Exhibiting for commercial release in the international market<sup>56</sup>.

The third one was the most difficult to reach but was the final goal of movies makers. In the past, only movies featuring by Bruce Lee were able to release in foreign commercial theatres. The action comedies played by Jackie Chan can also conquer the Japanese markets. Some movie producers tried to enter the international markets by other methods.

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<sup>56</sup> 'Interview with K C Chan' in Hong Kong Cinema in the 80s: a Comparative Study with Western Cinema, Hong Kong Urban Council, 1991, p.91-2.



Ambitious Raymond Chow tried to enter the international markets by investing in international movie production. Golden Harvest was only responsible for capital investment, but all production and exhibiting work was executed by foreign film workers. The well-known 'Cannonball Run' series, 'High Road to China', and the recent 'Ninja Turtles' were successful showcases which earned high profits in the international markets. The development of Golden Harvest revealed that this Hong Kong movie company had broken away from the local region and moved up into the international scene. Some companies preferred to adopt a joint venture approach to secure more control in movie production, say, introducing a Hong Kong director to oversee the whole production process.

The participation of Hong Kong movies in international film festivals also enhanced their international standing. Some movie festivals even paid tribute to representative Hong Kong film genres. For example a film festival held in Chicago was named as 'a week of Jackie Chan'. Tsui Hark was another admirable Hong Kong producers in the West. In the Umea Movie Festival held in Sweden in 1988, Tsui's movies were the highlights of the festival, which focused on the Hong Kong cinema. This showed that on the international level, more and more international movie distributors became aware of Hong Kong movies. Nevertheless, it is still a long way to go before Hong Kong movies are able to compete with Hollywood movies in the world markets. Besides, active participation in the Taiwan Golden Horse Film Festival and Hong Kong Film Festival was another selling tool to boost local movie industry.

The mode of movie production also experienced a drastic change in the 1980s. The rise of the independent producer system during this period symbolized a new direction in management and operation for the ever changing movie industry. The Shaw Brothers movie empire no more coped with the changing market. By 1984, production at Shaw was down to 30 movies a year. It dwindled to 6 in 1986. The Shaw Brothers later sold the Movie Town to Hong Kong Television Broadcasts Ltd and concentrated on movie distribution and exhibition. The company finally rented its theatre chains to D & B which signified the final breakdown of the



company's vertical integration. The decline of Shaw Brothers signified the ineffectiveness of large scale factory-like low cost production for the Hong Kong movie industry.

The emergence of the independents can be attributed to the reduction of productions by the majors and the shortage of movie supply for the increasing screens in the 1980s. Due to rapidly inflated production cost, the majors tended to reduce their outputs to minimise the risks involved in movie making. They preferred to produce a smaller number of 'blockbuster' movies which can have more box office guarantee than a large number of 'lesser' movies. Nevertheless, the demolition of old theatres and the popularity of mini-theatres brought a new combination of theatre circuits. The number of cinemas doubled from 80 in 1980 to 170 in 1992. This increase in theatres required a steady supply of local movies. When the majors cut down the number of productions, the picture shortage became the 'glut' and growth of the independents producers.

Golden Harvest had shifted its focus to the international market. They paid less attention to domestic movie production. They are more willing to co-operate with the independents and assume the responsibilities of capital investment and movie distribution<sup>57</sup>. This period saw the growth and emergence of several mini-majors like Cinema City and D & B. Tsang Chi-wai thought that the 1970s belonged to Golden Harvest and the 1980s belonged to Cinema city. Its contributions to the trend of movie making were, according to C T Lee (1990) in the following aspects: from low production cost to high budget production; from friendly basis collaborative approach to enterprise management; from using local staff to employing foreign expertise; and expanding box office limits to include audience from different segments<sup>58</sup>.

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<sup>57</sup> 黎慕慈等：〈天皇巨星喜中有憂〉《壹周刊》第128期，1992年8月21日，頁28-39。Lai & Watt (1992) 'Superstars -- Worries behind the Happiness' in The Next Magazine, No.128, August 21, p.28-39.

<sup>58</sup> 李焯桃：〈八十年代香港電影筆記〉1990頁53  
Li, C T (1990): Notes on Hong Kong Cinema of the 80's, p.53.



For several years in mid-1980s, the local movie market was almost shared by the Cinema City, D & B and Golden Harvest. According to the Chadha (1987), these three companies grossed 30 million (by 30 movies), 25 million (by 33 movies) and 41 million (by 25 movies) respectively in 1986<sup>59</sup>. However, in the late 1980s Cinema City began to shrink following an unsuccessful attempt to diversify its productions and lower the production costs. D & B stopped renting the Shaw circuits and became less active in movie production. The 1990s saw a diversification in the movie industry. Large movie companies with theatre circuits have a tendency to cut down their production. Some of them prefer to invest in the independents and some simply maintain the exhibition network.

According to the Hong Kong Motion Picture Industry Association yearbook 1990, the number of film companies rose to more than 170 in a year's time. However, some of these companies were subsidiaries or satellite companies of the majors. They were set up in order to enhance the efficiency of operation and minimize the risk undertaken for movie investment. Nevertheless, the independents still relied on the distribution or exhibition networks of the majors. Therefore, while the rising number of film companies reflected the prosperity of the movie business, the presence of the satellites and subsidiaries also complicated the relationship between the independents and the majors.

The changing mode of movie production also facilitate the presence of financial sources. In the previous decades, investment on movie making had to cover all the administration and operation costs incurred from studios, other production facilities and man-power. The rise of the independent producer system was favourable to small investors as they could confine their investment to a certain budget. They no longer had to bear the burden of supporting the crew or maintaining the production facilities. The independents can obtain investment from various sources like individual private fund, other forms of corporation financing, co-operation with foreign companies and direct investment from distributors or

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<sup>59</sup> Chadha, K K (1987): 'Top 3 Film Outfits led Hong Kong Biz to \$ 96-mil Total' in Variety, p.31-2.



exhibitors. The majors' investment was one of the popular sources of funding, while some other sought support from theatres owners or from foreign movie buyers.

The rise of the overseas video markets and the revival of the 'pre-sale' practice also facilitated the domination of the independents. The 'pre-sale' practice provided another source of finance for the Hong Kong movies industry in the late 1980s. As the indigenous movie industry in Taiwan declined, Taiwanese movie distributors had to import movies produced in Hong Kong to meet the demand for their six circuits. The Korean and Southeast Asian markets also favoured financing a movie and its subsequent video copyright before a movie was made. The revival of this 'pre-sale' practice contributed to the increase of movie production, it also brought some side effect to the local movie industry. Some independents might simply ignore the local markets and only cater to the overseas market. Quantity, instead of quality, is emphasized during this decade. Therefore, it was interesting to note a paradoxical phenomenon in the late 1980s that the local audience attendance dropped continuously from 66 million in 1982 to 47 million in 1992 but the number of productions increased in an unusual manner, from 129 in 1982 to 376 in 1992.

The creation of the star system, as it was in Hollywood, was another factor for the popularity of the Hong Kong movies in overseas markets. It was seen that the marquee value of popular stars remained an appeal to the mass audience, especially in the overseas market. For example, movies played by Chow Sing-chi could have the best market price of HK\$ 50 million and HK\$ 5 to 6 million each in Taiwan and Korea respectively<sup>60</sup>. Jackie Chan is the only superstar in Hong Kong who has the greatest market value for nearly every Asian country and his movies are popular and well accepted by audiences of the whole Asian region

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<sup>60</sup> Watt & Lai (1992): 'Super-stars -- Worries behind the Happiness' in The Next Magazine, No.128, August 21, pp. 28-39.



including Japan and Korea. He once claimed that he owned the whole Asian market<sup>61</sup>. Even African and East European countries would import movies played by Jackie Chan. Therefore, some overseas movie buyers even have a say in casting because of the popularity of certain stars in their markets.

Yu Mu-yun estimated that for movies that had less than 20 million in return in Hong Kong could fetch approximately 10 million in Taiwan and Japan markets, 1 to 8 million in Korea and several million in US and Canada. The best records in US and Canada were US \$100 million by 'Ninja Turtles' and HK \$ 100 million by 'Cannonball Run' invested by Golden Harvest in the 1990s and 1980s respectively. Yu also foresaw that the former markets in Cambodia and Vietnam may be re-opened in the near future<sup>62</sup>.

Generally speaking, Hong Kong had established her role as a regional movie production and export centre before the 1980s. The primary task of this decade was to maintain the existing markets as well as to explore more possible markets, both locally and overseas. This stage of movie history, as prescribed by Rostow, was a stage of mass consumption. The local movie industry in the 1980s has undergone some basic changes in accordance with the rapid socio-economical changes in the local market. Although progress in the expansion to the international market was limited, the prevalence of the Hong Kong movies in Asian countries had already sustained the growth of the local movie industry. Nevertheless the shrinking local market revealed that the movie industry had gained less support from the local audience.

The whole development period can be described by Rostow's model of

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<sup>61</sup> 韋 軒：〈成龍說：我擁有整個亞洲〉《電影雙周刊》第309期，1991年1月31-2月10日，頁19-25。Wei, H (1991): 'Man behind the Camera' in City Entertainment, No.309, January 30 - February 10, pp.19-25.

<sup>62</sup> Yu Mu-yun (1992): 'Hong Kong Cinema 1991' in South North Poles, No.260, February, 1992, pp.183.



economic development<sup>63</sup>. Before the 1930s, the movie industry of Hong Kong was primitive and underdeveloped. Nor did it possess any pre-condition for taking-off. The historical and political events which took place in Mainland China in the 1930s gave rise to the initial growth of the Hong Kong movie industry. It began to prepare itself for taking-off. The post war decades were the golden time for her to take-off. The movie industry developed from cottage industry to large scale studio production. Hong Kong had established her status as a regional production and export center since then. The 1970s was the decade when the industry strove for maturity. The threats posed by the television industry and the changes of the audience taste pushed the movie industry to response. This decade witnessed the movie industry becoming more indigenous and presented in a more appealing way to attract the audience. Hong Kong's status as a regional movie production and export centre was re-inforced when the international market was expanded by movies played by Bruce Lee. The 1980s was a stage aiming at mass consumption. Not only the local market was hit by the high-budget blockbusters, but many attempts were made to expand the overseas market. A historical record was reached in the 1980-1981 when the movies of Hong Kong were exported to more than 90 countries around the world.

The above analysis attempts to show that various factors at different times have contributed to Hong Kong's evolution as a movie production and export centre. Hong Kong did not become a movie export centre until the late 1930s. Since then, she continuously maintained her status as a regional movie production and export centre. In different stages, the movie industry faced different obstacles. However, it managed to overcome and growth with an astonishing speed. There were two peaks of prosperity in the past decades: the 1960s and 1980s, each having its own characteristics. When compared with other countries, the long and alternate prosperity periods enjoyed by the movie industry of Hong Kong during the past four decades is exceptional, if not miraculous.

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<sup>63</sup> Rostow, W W (1960): *Stages of Economic Development: a non-Communist Manifesto*, p.4.



## Chapter 5: In Search of an Explanatory Framework

Previous statistical review approaches the research question from quantitative figures and tables while the socio-historical study analyzes the evolution process from a qualitative method. Both of these analyses are only attempting to answer how Hong Kong evolved into a regional movie production and export center in the previous decades. In this chapter, I am going to answer the question of why Hong Kong succeeded to be a regional movie production and export centre. As discussed in Chapter 2, I am going to employ an integrative approach to evaluate the research question from a business-economic perspective. A structured analytical framework is then constructed to give a systematic account for the success of the Hong Kong movie industry.

This analytical framework is actually a synthesis of Gowett & Linton's development model for movie industry and Kotler's analysis on business environment. I would excerpt some relevant variables from these two frameworks and integrate them to construct a development model for the movie industry of Hong Kong.

This framework is delineated from two major dimensions, i.e, the micro-industrial aspects and the macro-business environment. The former consists of factors in the immediate environment of the business that affect its ability to serve its markets: the production, distribution, exhibition, promotion, customers, competitors and publics. These variables are excerpted from Jowett & Linton's flow chart about the US movie industry. The macro environment consists of the larger societal forces that affect all the factors in the micro environment of the business: the demographic, economic, technological, political, legal and socio/cultural forces. These factors are drawn from Kotler's analysis of marketing environment. However, this analysis will not only be done at a cross sectional level. As the time element is an important factor for the evolution process, this study will also attempt to trace the changing configuration of the relevant variables across different periods of development of the Hong Kong movie industry.



## *The Micro Environment*

### **1. The industry**

#### **a. The goal of the industry**

Fadiman once said, 'movie-making is a business which is at the same time an art and an industry.' (Jowett & Linton 1989:27). The tradition of the movie industry of a country or city, however, may be biased towards one of the two, namely, movie as an art or as an industry. For instance, movie is commonly regarded more as a form of art rather than an industry in some European countries like France. The Hong Kong movie industry, on the other hand, has treated movie predominantly as a commodity from the very beginning. The making and screening of movies is primarily a business enterprise based on an industrial model. Both magnates of the Hong Kong movie industry, Raymond Chow, the founder of Golden Harvest and Run Run Shaw, founder of Shaw Brother, recognised their movie industry purely as a kind of business. Chow even stated that:

'Movies are a mass medium, and the mass is more important than the medium.'<sup>64</sup>

To most movie-makers of Hong Kong, business is therefore the dominant orientation of movie making. It is no wonder that the primary goal of the Hong Kong movie industry is to profitably serve and satisfy specific needs of its chosen target markets at various stages of its development. In the Hong Kong movie industry, producing a profitable movie is the primary aim of nearly every movie company. This clear and common goal of the industry provides the direction and incentive for the workers of industry to strive hard to cater for the tastes and needs of the majority share of its audience, both locally and internationally.

Production strategies in different historical stages provide evidence to this inclination. During the pre-war decade, movies produced in Hong Kong were

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<sup>64</sup> 'Hong Kong Film-makers: Outward Bound' in *Asiaweek*, March 4, 1983, p.31.



mainly for profit-making purpose, instead of arousing people's nationalistic feeling, even at the edge of the Japanese invasion. This tradition continued after the war. Movie-making resumed rapidly with a view to earn quick money. Quality of movie was always sacrificed for profit-making purpose. The decline or collapse of movie companies like Zhong-lian and Feng-huan in late 1960s reflected that movie companies established with ideals like producing better quality movies were difficult to survive in a city emphasizing profit-seeking business or activity. Therefore, the movie industry became further commercialized and more profit-conscious in the early 1970s. Since then, the movie business was even more market-conscious. Low budget Cantonese movie was replaced by high budget 'blockbusters'. Only profit making movie companies and movie genres were able to survive throughout the 1980s. The mass production of Kung-fu movies in the 1970s was a classical example. In the mid-1980s, the emergence of the 'hero' genre and the later ancient martial arts movies also repeated this profit-seeking objective.

As evident from the above discussion, the predominantly profit-seeking goal of the Hong Kong movie industry provides the impetus for the movie makers of Hong Kong to adapt to the market and audience taste in whatever way they can throughout its history so as to maximize the profits from their productions. As compared with other countries whose movies industries have a longer history but with a more 'artistic' tradition, e.g., Japan and France, or whose goal is to educate the mass, e.g., socialist China and Russia, the success of Hong Kong to establish itself as a major movie producer and exporter in the international market is definitely partly, if not wholly, attributed to its adoption of such profit-seeking goal.

#### b. The organization and structure of the industry

Communication scholars would divide the movie industries into four basic components: production, distribution, exhibition and promotion (Jowett & Linton 1989:26), as this industry produces a very unique commodity and the operation of the movie-making process demands constant risk-taking. For example, the 'demand uncertainty' of the audience is another major characteristic. These factors of



uncertainty and high risk of the movie business, however, could be minimized by a suitable adjustments in the organization and structure of the industry. Vertical integration introduced by Hollywood was a measure to minimize this risk. From 1920s to 1950s, the major Hollywood companies were organized as vertical integrated companies uniting production, distribution and exhibition interests, collaborated to order and control the US domestic market and to exclude outsiders. The model also made Hollywood's domination in the overseas market possible (Armes 1987:36-8).

The major movie companies in Hong Kong started to model on the vertical integration pattern from Hollywood during the 1950s and 1960s. The big studio production system introduced by Shaw Brothers and Cathay Organization was a typical Hollywood system which enabled a continued supply of movie products made in a economy of scale to meet the constant demand from the Southeast Asian countries. Besides, both Shaw Brothers and Cathay continued to have well connected distribution and exhibition networks in Hong Kong and overseas markets. Shaw Brothers has been operating theatres throughout Asia since 1930s. At its peak in the 1970s, Shaw Brothers owned about 150 theatres in Hong Kong, Taiwan, Southeast Asia, Canada and the USA. Cathay owned a large distribution and exhibition network in Southeast Asia which also made vertical integration possible.

These well established vertical integration patterns in Hong Kong movie companies did not only minimize the risk of audience uncertainty but also facilitated the effective export of the Hong Kong movie products. The success of Hong Kong in establishing itself as a movie export centre in the 1950s and 1960s is partly attributed to the benefits of vertical integration. It was obvious that before the emergence of the two vertical integrated companies, Cathay and Shaw Brother, movie productions in Hong Kong cannot meet the demand of Southeast Asia. It was the effective co-operation among the production, distribution and exhibition elements between Hong Kong and the Southeast Asian countries that the status of Hong Kong as a movie export centre was established.



However, this vertical integration was not a panacea all the times. As Bernstein argued from the experience of Hollywood that concentration and integration had brought stability during the periods of stress and strain e.g., after the war. Disintegration took effect at the moment when the industry needed structural flexibility to deal with its falling market<sup>65</sup>. Following the pattern of Hollywood in movie production, it explains that the studio system of Hong Kong in the 1950s and 1960s had brought system and stability to the confused and chaotic post war decades. However, former vertical integration in the Hong Kong movie industry began to decentralize and diversify in subsequent years as a response to the shrinking movie market and competitive media environment.

The 1970s and 1980s witnessed a downfall of the vertical integration in the Hong Kong movie industry and a rise of independents. Decision making power was passed into the hands of the producers or executive producers who had more participation and creative power in the production process. Tsui Hark, Jackie Chan, Samo Hung and so on are famous representative executive producers of the 1980s. The rise of independents also enabled the investors to minimize their risks in movie investments. Small investors could confine their investment to a certain budget. They no longer have to bear the burden of supporting the crew or maintaining the production facilities. The independents also have more flexibility in securing production funds, no matter from private or corporate sources, internal or external markets. This change increases the independent's flexibility in cooperating with the distributors to meet the demands from the overseas market. Therefore, more and more movies were produced, both in the form of 35mm or video cassette, in the late 1980s and early 1990s.

Some changes also took place in the distribution aspect of the Hong Kong movie industry in the 1970s and 1980s. During the 1950s and 1960s, the Southeast Asia markets almost imported every Hong Kong movie through vertical integration. Therefore, the distributor played a relatively insignificant role under this pattern.

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<sup>65</sup> Strick, J C (1978): 'The Economics of the Motion Picture Industry: A Survey' in Philosophy of Social Science, No. 8, p.413.



However, in the 1970s and 1980s, the emergence of the protectionism in the Southeast Asian countries and the popularity of television posed threats to the Hong Kong movie industry. The distributors of Hong Kong movies began to emerge since then. Throughout the 1980s, the availability of financial investment from overseas distributors by 'pre-sale' practice formed a very important source of finance for the Hong Kong movie industry which in turn boosted the number of production. The domination of the distributors of Hong Kong movies increasingly exerts pressure on production strategy of Hong Kong movies, for example, they would influence the independents on the decision of film genres, casting and storylines. They could ask for a sequel upon the box office success of certain film genre. Nevertheless, the domination of the distributor enabled the Hong Kong movie industry to become more market-and audience-conscious which in turn enhances the competitiveness of Hong Kong movies in the overseas markets.

There were also some changes taking place on the exhibition side to cope with the ever changing market. The exhibitors of Hong Kong movies also invent many practices to boost the box office returns of movies they exhibit. For example, the introduction of the mid-night show in the late 1970s adopted by the exhibitors was a practice to test the initial response from the audience. Therefore, the product could have final amendments before formal release. Besides, the practice of joint circuits for releasing a blockbuster was also a popular strategy adopted by the exhibitors especially in the peak seasons. This practice began in the early 1980s when circuits of Golden Harvest joined that of the Shaw Brothers' in reaction to the rapid rise of Cinema City and Golden Princess. This practice could secure a high box office gross and minimize the risks of big productions. This practice also explains why many blockbusters broke box office records in recent years easily. Moreover, the growth of mini-theatres in commercial complexes also affect the change of exhibition pattern of the movie industry. The popularity of mini-theatres led to an increase of screens and a corresponding increase in demand of local movie products. It is estimated that more than 120 movies are needed every year to meet the needs of the four major circuits. The expansion in number of circuits and screens in return fostered the booming of independents and serve to



maintain a regular level of demands for Hong Kong movies.

As evident from the above discussion, different modes of production suit business environment at different periods. The high flexibility of the movie industry and the movie companies of Hong Kong enable them to survive the adverse conditions at different periods of their history. The vertical integration enabled Hong Kong to consolidate herself as a regional movie production and export centre. The decentralization and diversification of the production system in the later decades and various practices invested by the distributor and exhibitor enhanced the flexibility of the Hong Kong movie industry to cope with the changing market and maintained her status as a regional movie producer and exporter. The ability of the Hong Kong movie industry to shift and adjust its system to meet the ever changing media market is therefore a major reason for her success.

## **2. Customers:**

The audience is the life blood of the movie business. Hong Kong became and continued to be a regional movie production and export centre because she could obtain support from her local and overseas customers.

### **a. The 'Dragon Seed' as the target customers of the industry**

Hong Kong only had less than 2 million people before the war. At the time she began to produce the Cantonese movie in mid-1930s, she had less than 1 million. The local audience base was too small to sustain the development of the local movie industry. However, there were an estimated 25 million overseas Chinese scattered in the Southeast Asian countries and Chinatowns in the West. For survival, the movie industry of Hong Kong cannot rely on the local market alone. She has to look for other outlets for her movie products. Therefore, throughout different historical stages, Hong Kong movie industry actively explores external markets and this industry always has all the overseas Chinese in mind as her target audience.



In the 1920s and 1930s, Mainland China was considered the major external market which accounted for 1/2 to 2/3 of total export value. After the closure of the Mainland China in 1949, the Hong Kong movie industry shifted its attention to the overseas Chinese. Even after the Hong Kong Kung-fu movies swept the international market in the 1970s, the overseas Chinese markets remained essential. The trading statistics in Chapter 3 revealed that the Southeast Asia and Taiwan markets continued to share over 2/3 of total export value. In recent years, Taiwan's share increased to 1/3 and became the most important overseas market for Hong Kong movie. The huge influx of Hong Kong movie in the Taiwan market is attributed to the fact that Taiwan did not regard Hong Kong movies as foreign movies and therefore they enjoyed the same terms as the Taiwanese movies.

As evident from the above discussion, the persistent ability to exploit the huge overseas Chinese market throughout its history is an important factor accounting for the rise and development as a major movie production and export centre in the past four decades. The experience of Hong Kong showed that movie, as a cultural product, will only be popular at places with similar cultural affinity. The dominance of Hollywood movies in the English speaking countries and the popularity of Hong Kong movie among overseas Chinese illustrated the importance of a suitable target audience. In comparison, other movie production centres like Japan and India lack such a large numbers of overseas nationals to support and sustain their growth and development. Therefore, their movie industries decline when their domestic market decline.

#### b. The visual-oriented tradition and its appeal for non-Chinese audience

While the cultural bondage could account for the opening and penetration of the Southeast Asia markets, the success of Hong Kong movie in expanding the overseas market to non-Chinese audience in 1970s and 1980s was attributed to the visual-oriented tradition of the Hong Kong movie industry. According to Lin (1993), there are two dominating trends in movie-making: the emphasis of visual impact and emphasis of story telling. He proposed that the recent popularity of the Hong Kong movie in the West was a result of its emphasis on the visual impacts and



aesthetic elements that appeal to the Western audience<sup>66</sup>.

The success of Kung-fu movies in the 1970s might also be due to such a tradition. By emphasizing on actions and movements, the visual images break through the language barriers to enter the Western and other non-Chinese speaking markets. For example, African countries also would import the Hong Kong Kung-fu movies. The popularity of Jackie Chan in the Japanese and Western market was another evidence of the success of this visual-orientation. Jackie Chan has become a Kung-fu hero whose movie are so unique that in other parts of the world are not able or find it very difficult to model or imitate.

As evident from the above discussion, the emphasis on visual impact enables Hong Kong to create a market niche in the international market and produce movies genre that other countries find it difficult, e.g., Kung-fu movies. Therefore, Hong Kong was famous in her kung-fu movie and able to establish herself as kung-fu movie export centre in the international market.

c. Give the audience what they want

The Hong Kong movie companies have for a long time adopted an audience-oriented approach and they shared a common assumption that movie is only a form of entertainment without any higher goal or social responsibility to fulfill. In fact, in as early as pre-war decades, the Hong Kong movie companies were criticised for lacking social dimensions as they continued to produce entertaining fables and mythologies without arousing the audience's patriotic feelings in the face of national political crisis. This criticism reappeared in the post-war decade. Unlike many other countries in which movie is regarded as a tool of education, movie is commonly regarded as a pure form of entertainment in Hong Kong. Moreover, the film-makers of Hong Kong believed that movies must provide people with an overall pleasurable experience if they are to be successful in the box office. This guiding

<sup>66</sup> 林 離：〈雅俗共賞的迷思〉《信報》1993年4月29日，頁20

Lin, L (1993): 'The myth of appealing to the mass' in the Hong Kong Economic Journal, February 5, p.20.



principle makes Hong Kong movies to treat the provision of escapist feeling, avoidance of serious thought and real life situations and the audience's entertainment needs on the top priority in the choice of film genres and themes. When the 1997 issue dominated in the 1980s, the Hong Kong movie industry has not changed its entertainment mission by providing escape for the Hong Kong people from threats of political uncertainty.

L. Choi (1991) also used this characteristic to illustrate the decline of the Japanese movie industry and the prosperity of Hong Kong's. He believed that because of the block booking system enjoyed by Japanese movies, many local producers would aim at winning national awards instead of securing the box office. The Japanese movie gradually deviated from their local audience and could not meet their demand. Instead, the popularity of Hong Kong movies in the Japanese market began to grow owing to their ability to fulfill the basic entertaining function<sup>67</sup>. Choi believed that it was the struggle for survival purpose that shaped the Hong Kong movie industry throughout the previous decades.

This targeting and audience-oriented strategies proved to be successful in fuelling the growth of the Hong Kong movie industry for the past four decades. The movie industry's guiding philosophy of production, as Jarvie (1977:57) coined it 'audience conscious' and 'export conscious', may explain why she was able to supply movie products efficiently to satisfy the customers' needs. That is also the reason why Hong Kong can successfully establish herself and continues to be a regional production and export centre in the world.

As evident from the above discussion, the 'pure entertainment' approach adopted by Hong Kong movie industry towards its audience enables it to excel other movie production centres like Japan and India and establish itself as a major movie producer and exporter comparable to Hollywood. On the other hand, the decline of other movie production centres like Japan and Taiwan is partly attributed

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<sup>67</sup> 蔡 瀾：〈蔡瀾談電影〉(1991) 頁52-72。

Choi, L (1991): Choi Lan talks about movies, p.52-56.



to their neglect or even rejection of the entertainment function of movies.

### **3. Competitors:**

Ito (1990:457) believed that Japan's shift from an importer of information to an exporter was a result of free competition in the free markets. The success of Hong Kong in establishing herself as the regional movie production and export centre can also be attributed to its ability to combat with her competitors. The following analysis only concentrates on major competitors at different stages of the industry and specifies the competitive advantages of Hong Kong movies over other countries' products.

#### **a. Shanghai**

Shanghai was the first movie production and export centre in China. It was also the first place where Cantonese movies were produced. Many countries from Southeast Asia were importing Chinese movies from Shanghai. She was the first 'Hollywood of the East'. Hong Kong was unable to compete with Shanghai before 1940s. Actually, in many aspects she looked to Shanghai for technical and financial support. However, it was a historical coincidence that Hong Kong could inherit her competitor's legacy and develop her movie business on the foundation of Shanghai. After 1949, Shanghai ceased to be a movie exporter because of the Communist takeover of China in that year and the consequent massive outflow of capital and talents of the Shanghainese movie industry, most of which went to Hong Kong. As a result, Hong Kong took over her place and became a movie producer and exporter. Countries formerly importing Chinese movies from Shanghai shifted their focus to Hong Kong.

#### **b. Taiwan**

Close to Hong Kong in ideological and cultural milieu, Taiwan is another place with deep-rooted Chinese traditions. Although she cannot compete with Hong Kong in the production of Cantonese movies, Taiwan had superceded Hong Kong in the production of Mandarin movies in the late 1960s and early 1970s. Hong Kong



cinemas were once dominated by imported Taiwan movies. And in South-east Asia, Taiwan melodramas were very popular in 1970s. Similar to the situation of Hong Kong, the Asian market was Taiwan's second market. Taiwan shipped movies on a regular basis to Singapore, Malaysia, Thailand, Vietnam and many Chinatowns outside Asia. However, a number of political and economic factors hampered the development of Taiwanese movies -- the plentiful supply of videocassettes, protectionist policies of countries towards their own movie industries and the inability of Taiwanese movies to communicate internationally.

Another crucial reason was Taiwan's inability to compete with Hong Kong as a distributor of Chinese movies because of Hong Kong's high-budget, better quality productions (Lent 1990:71). A spokesman from the Cathay Distribution Company in Singapore opined that the audiences in Singapore and Malaysia preferred Hong Kong comedies rather than Taiwan melodramas<sup>68</sup>. The fact that Taiwan could not break through from her melodrama tradition also accounted for her failure to meet the rapid changing needs of her overseas markets.

The tight political control of the movie industry, particularly in the early years of the KMT rule after its retreat to Taiwan following its defeat in the Mainland China in 1949, also set restraints for the development of movie industry in Taiwan. For instance, the film genres and ideology were closely scrutinized and monitored by the Taiwan government until recent years. In comparison, the Hong Kong government adopts a relatively free-hand approach towards the movie industry. Moreover, the traditional emphasis of British administration on freedom of speech and thought also enable the movie companies in Hong Kong to create and produce new film genres, which contribute to the development of Hong Kong movie industry in the past four decades.

### c. Japan

Being a world production leader and with the longest movie history in Asia,

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<sup>68</sup> 'The Chinese film market in Singapore and Malaysia' in Singapore Daily, November 16, 1982.



Japan possessed all favourable conditions to be a regional movie production and export centre. Actually, the golden age of the export of the Japanese movie was between the 1950s and 1960s. Many popular movies were exported to Southeast Asia and other Japanese communities all over the world. However, the growth of television industry undermined the development of Japanese movie industry. Therefore, Japanese movies started to decline both in quantity and quality in the 1960s. It is obvious that the target audience of Japanese movies was different from Hong Kong. For instance, the global audience base of Hong Kong is larger than that of Japan, taking into account the huge overseas Chinese population. On the other hand, the 124 million-strong population of Japan could already sustain the local movie industry. Therefore, Japan movie industry did not need to strive as hard as its Hong Kong counterpart to compete for overseas market.

Tsui Hark has rightly pointed out that the strong tradition and cultural bondage of Japanese movies were preventing overseas audience's appreciation of her movies. On the contrary, the lack of strong culture and traditions are competitive advantages of Hong Kong movies that contributed to their success in the overseas markets. Tsui thought that the flexibility and dynamic nature of the Hong Kong movies enabled her to copy and model good qualities from foreign movies. Moreover, the emphasis on sensational impact and visual stimulations are the characteristics that facilitate other audiences in the world to watch and understand Hong Kong movies<sup>69</sup>.

#### d. Competitive advantages

As aforesaid, the success of Hong Kong movies can be explained by the competitive advantages it gained over its competitors. In other words, Hong Kong movies also attracted overseas audiences through some distinctive elements that cannot be found in other countries' products. Hong Kong movies gained a market niche that few others can exploit with equal efficiency. For example, the Kung-fu

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<sup>69</sup> 羅 卡等：〈徐克大特寫〉《明報月刊》第27卷；第10期，1992月10月，頁17-27。Law K (1992) 'Interview with Tsui Hark' in Ming Pao Monthly, Vol.27, No.10, October issue, p.17-27.



or action comedies movie genres developed by the Hong Kong movie industry provide an alternative attraction to Hollywood pictures. In fact, some film commentators mentioned that the Kung-fu picture offered a strong attraction for urban movie-goers because of its stress on dexterity of hands and feet, something that the sedatory city folk have little chance to develop<sup>70</sup>. Some opined that Jackie Chan's movies can provide a startling rush of excitement; the pleasure and exhilaration of movie-going in something close to the pure form<sup>71</sup>.

Compared with Western action movies, Hong Kong kung-fu movies were popular with actors' fists and feet. The highly dangerous action movies played by Jackie Chan have established a distinctive type of heroic image which simply cannot be emulate by the Western action movies emphasizing on guns, technology and the like. Moreover, in technical terms and in production standard, Hong Kong is modelled on the West. The Hong Kong movie-makers also tend to add foreign influences to local traditions to come up with a unique, modern version of cinema that carries a Hong Kong flavor<sup>72</sup>. The Cinema City comedies of the early 1980s are some of the examples. They have inherited the traditions of early Cantonese comedies, added in some Western features, and have mixed them up with elements from other genres, such as ghost story, Kung-fu, action thriller and so forth which were representing movie genres in the overseas markets. Therefore, Hong Kong is able to establish her products' uniqueness in the world movie market.

The success of Kung-fu movie as a market-niche explains why Hong Kong movie is popular in the international market. As compared with the Hollywood picture, Hong Kong movie also enjoyed the competitive advantage of cultural affinity or bondage which linked the dispersed overseas Chinese together by their homeland culture and mother-tongue language.

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<sup>70</sup> 'The Advance of Kung Fu' in Asiaweek, May 9, 1980, p.42.

<sup>71</sup> Kehr, David (1988): 'Chan can do' in Film Comment, Vol.24, No.3, May-June, p.38-9.

<sup>72</sup> Law Kar (1991): 'Introduction' in the Hong Kong Cinema in the 80's, a Comparative study with Western Cinema, p.10.



#### 4. Publics:

As defined by Kotler, a public is any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives. He classified this concept into the financial publics, media publics, government publics, local publics, general publics and internal publics. As not all of these concepts are applicable to the case of Hong Kong. I would only highlight the relevant ones here.

##### a. The financial publics

The movie industry has long been subject to the dictates of financial interests in society, due to the comparatively large sums of money that are required for production. Basically, there are five categories of potential investors which include individual private investment, bank loans and other forms of corporate financing, government investment and/or subsidy, cooperation with foreign companies, and direct investment by a distributor or exhibitor<sup>73</sup>. Besides government loans and subsidies, all the remaining forms are major sources of finance for the development of the Hong Kong movie industry.

Despite some local tycoons had financed several movie companies during the 1920s and early 1930s, the rapid growth and development of the Hong Kong movie industry was mainly depended on the financial sources from the external markets - Shanghai, Southeast Asia and Taiwan. The obstacles of progress at the Nascent period revealed that the development of movie industry at the early stage required huge capital and technological support. However, the continuous influx of capital from Shanghai movie companies in the 1930s - 1950s and Southeast Asian magnates in the 1950s and 1960s to Hong Kong is an important factor accounting for the successful take-off of the movie industry.

Besides, the 'Pre-sale' practices for Cantonese movie established between Hong Kong movie-makers and distributors in Southeast Asian countries in the

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<sup>73</sup> Jowett, G & Linton, J (1989): Movie as Mass Communication, p.35.



1940s also fostered the prosperity of the Cantonese movie in the 1950s and 1960s. Under such 'pre-sale' practices, the overseas distributors invest money in the production of a movie and in return they were given rights of distribution in their home countries when the movie is made. The expansion of video markets and increased demand for local movies also facilitated the revival of 'pre-sale' in late 1980s which in turn stimulated the growth of local production and enhanced the competitiveness of Hong Kong movies in the overseas market. Moreover, the surge of the independent producers system in the 1980s made individual private investment possible. The increase of theatre circuits in domestic market provide another source of funding for independents. Another source is obtained from the movie moguls, like D & B and Golden Harvest. It is obvious that in recent years the two movie moguls, Shaw Brothers and Golden Harvest, have reduced their movie production but increased the co-operation with independents. Therefore, the relationship between different groups, like the independents and the distributors, the independents and exhibitors, the majors and the independents, become more complicated, interdependent and closely connected with each other.

However, the major companies in Hong Kong mainly use two methods of financing, namely, by working out a line of credit with banks or other financial institutions on the basis of facilities and working capital, or by underwriting on a picture by picture basis. According to a Bank of America study, only 25% of movies can earn back their investment, and only 3 to 5 among every 100 movies actually make a profit<sup>74</sup>. However, Golden Harvest claimed a near perfect track record by 1983, by which only one out of the more than 120 movies even produced by this company has lost money. The track record performance and good working relationship enable Golden Harvest to incur capital for high budget production. It is with financing as such that Golden Harvest was able to shoot movies for the international market.

Nevertheless, the ability of Hong Kong movies to obtain funds very much

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<sup>74</sup> 'Hong Kong Film-makers: Outward Bound' in Asiaweek, March 4, 1983, p.32.



depends on their market return. Therefore, only movies which mirror public tastes or which are imitations of the popular film genres could easily secure financing sources. Thus, the characteristics of market and audience consciousness explain why the Hong Kong movie industry, without assistance from the government, finds so little difficulty in obtaining financial support. Despite the availability of various sources of funding, innovative idea or creative film genres are not always accepted as a guarantee to the investors. As a result, the movie business is deprived of individuality and creativity. The entire revival period witnessed a repetitive chase of homogeneous film genres, an imitation of popular storylines, a surge of sequels and overexposure of certain well-known stars. The total commercialization of the Hong Kong movie industry has seriously suppressed the artistic and creative aspects of movie production.

As evident from the above discussion, the good relationships with the financial publics and the high flexibility of methods of financing adopted by the movie companies of Hong Kong enable them to take-off and continue to prosper in the past four decades. In comparison, in other movie production centres like Thailand and Korea, their movie companies fail to build up and maintain a good relationship with their respective financial publics, which in turn result in their shortage of capital in short term and their decline and downfall in the long run.

#### b. The internal publics : manpower

This term refers mainly to the employees of the movie business. The local workers of the Hong Kong movie industry were understandably limited in number in the initial stages of its development. Therefore, the immigrants from Mainland China in the 1930s - 1950s provided an important source of manpower to the movie industry of Hong Kong. These new immigrants brought along expertise and production skills from Shanghai and also facilitated an upgrade of production standard especially in the shooting of Mandarin movies. As a result, the Mandarin pictures could have higher competitiveness in the overseas markets. Besides, the Unification Movement, the Clean-up Campaign, the Film Collectivisation Movement and the New Democratic Enlightenment Movement in late 1940s also



elevated the morale and professional ethic among Cantonese movie workers which laid down the foundation for the later prosperity of the Cantonese movies. While establishing the big studio system, the Shaw Brothers employed movie experts and technicians from Western countries and Japan to provide training to Hong Kong movie workers. Therefore, this studio system could operate smoothly and maintain a regular number of movie outputs for the overseas markets because of such a highly effective and efficient labour force.

Although the television industry in the 1970s has taken over the leading position as the most popular entertainment form in Hong Kong, it also provided a training ground for many movie workers. Some international known and award winning movie directors of Hong Kong, like Tsui Hark, Allen Fong, Yim Ho, Ann Hui, Mable Cheung and so on were all trained as television producers before they entered into the movie industry. They were once labelled as 'New Wave' directors, who had brought a new outlook to the Hong Kong movie industry by integrating Western movie production techniques with the indigenous elements. The interflow of skilled labour between the two fields is not confined to movie producers. Many supportive personnel in the production team, like script-writers, dubbing, editing and lighting technicians and so on are trained in the television industry and later join the movie industry. Even superstars on the large screen have worked in television for years. Most of the workers in the media industry still think that the movie industry is their ultimate destination to actualize their genius or creativity. Therefore, even though the television is more popular than the movie among the general public, the latter is accorded a higher social status among the internal public. This advantageous position enables the movie industry to tap the best resources in the media industry, by pulling out all the skilled workers and superstars in the television industry to support its continued growth throughout the previous decades.

### c. The media publics

Traditionally, the Hong Kong movie industry made use of other media publics to promote its products and cultivate goodwill. During the 1950s and 1960s,



the popular way of promotion was through the famous entertainment magazines. In the 1970s and 1980s, with divisification in the media industry, the movie companies resorted to diverse promotion channels like newspaper, leisure time magazines, radio and television stations. Besides putting up advertisements in different media, the movie companies sometimes release production highlights, gossips of super-stars, box office figures and so on to solicit promotion effects. Generally speaking, the media mix strategy enabled a continued flow of movie information which enhanced the interests and awareness of the audience, both for local and overseas Chinese. One of the reasons that the movies of Hong Kong can remain popular among local and overseas Chinese audience can be attributed to such frequent interactions among the media publics.

Moreover, the close connection between the TV industry and the movie industry is another favourable factor sustaining Hong Kong's role as a movie producer and exporter to most of the Asian countries. As most of the movie stars established their popularity in the television industry, they have gained a certain degree of popularity in Southeast Asian countries where the TV programmes they acted in were broadcast there. Statistics showed that more than 40 countries have imported television programmes and video tapes from Hong Kong and many popular TV or movie stars were also popular in these countries<sup>75</sup>. This familiarity could secure a kind of affinity and in consequence boost the popularity of the movie business. Moreover, the frequent exposures of Hong Kong media products like magazines, video, pop music and so on could enhance the promotion of Hong Kong movies in the overseas Chinese markets.

In western countries, there is a growing trend of media mix. Sometimes, the movie company would tie-in with commercial products to ensure a universal attention. Commercial items like 'Turtles Ninja' and 'ET' were typical examples. In Hong Kong, the media mix also enables the spread of movie culture in different

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<sup>75</sup> 陳清偉：〈香港電視文化颯魔東南亞〉《電影雙周刊》第322期，1991年8月8-21日，頁77 Chan, C W (1991): 'Hong Kong TV culture prevails in Southeast Asia' City Entertainment, No. 323, August 8-21, p.77.



mass media. Some movies are already adapted from popular literature. Conversely, the original screenplays are often novelized for the book market after successful release. Moreover, books describing the making of movies, fotonovel, recorded theme music, music videos, TV documentaries or 'featurettes', commercials and so on are popular media mix strategies to maximize the audience's attention.

Besides, the movie companies of Hong Kong also enhanced their image and status by actively participating in the international movie festivals. Whenever some locally-made movies win overseas awards or merits, the international status of the Hong Kong movie industry improves. Most important of all, the participation of international movie festivals enable the exposure of Hong Kong movies to foreign buyers and distributors who can make the international exhibition of the Hong Kong movies possible. These image improvement and market exposure strategies facilitate the entry of the Hong Kong movies into the international markets.

### *Macro Environment*

#### **5. Political/ Legal Environment:**

##### **a. Political conditions**

The past history witnessed that the Hong Kong movie industry exploited every political crisis to enhance her position as a regional movie production and export centre. When the KMT government forbidded the production of Cantonese movie in Shanghai in late 1930s, Hong Kong seized this opportunity to replace Shanghai's position as the national Cantonese movie production centre. During the Japanese invasion period, Hong Kong had absorbed all the capitals, technology and expertise through the inflows of Shanghaiese movie workers which laid down an important foundation for her later take off in 1950s. After the communist took over Mainland China in the 1949, Hong Kong seized this opportunity to replace Shanghai as the regional movie production and export centre. She also inherited all overseas distribution and exhibition networks from Shanghai for her movie. Hong Kong also took advantage of the split between Taiwan and Mainland China and made use of her political neutrality to export movie products to the rightist-biased



Southeast Asia and Taiwan markets.

Unlike other countries, the government of Hong Kong has not directly promoted the Hong Kong movie industry. Even a recent proposal of setting up of a film commission was dropped<sup>76</sup>. However, the non-intervention policy can be viewed as a positive factor which provides freedom and space for the growth of the local movie industry. As a result of such non-intervention policy, the movie business of Hong Kong was entirely in private hands, which is a rare specie in the Asian countries or cities. Without any kind of support from the government, the Hong Kong movie companies have to sell hard in the region to make money which constituted to its international competitiveness as time goes by. Furthermore, the lack of governmental control on the movie industry also enables the Hong Kong movie industry to produce movies with various popular film genres and themes that clearly contributing to the establishment of its status as a production and export centre.

#### b. Rule of law tradition in Hong Kong

The legal system in Hong Kong plays an important role in creating a favourable legal environment for foreign companies and investors to invest in the movie industry of Hong Kong, which in turn contributed to the development of prosperity of Hong Kong as a movie production and export centre. The importance of the Rule of Law for the economic development of Hong Kong can be better explained by John Griffith, the former Attorney General of Hong Kong:

‘It is the predictability and continuity of the economic and financial environment taken together with the commercial and social stability given by strict adherence to the Rule of Law ... which have been essential elements in creating the climate of success...Certainly it is that the Rule of Law has played the inestimable part in creating among the outsiders the trust and confidence in Hong Kong upon

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<sup>76</sup> ‘Film Commission Scheme Dropped’ South China Morning Post, June 3, 1993, p.6.



which the economic miracle has been and is totally dependent.’<sup>77</sup>

This Rule of Law tradition therefore provides a favourable legal environment for the growth of the movie industry in Hong Kong. In countries lacking this tradition, like Taiwan, there was a decline in her local movie industry. Some in fact attributed the shrinking movie industry in Taiwan to the intervention and domination of the triad societies in its movie industry.

### c. Trade barriers

The trading relationship between Hong Kong and her neighbouring Asian countries established as early as 1930s. Throughout the past decades, different political events affected the ups-and-downs of the trading relationships. Several important markets like Mainland China, Vietnam and Cambodia were lost after their Communist takeovers and as a result, the Hong Kong movie industry had to shift to other markets. However, due to the spread of protectionism in the 1970s, many overseas markets imposed trade restriction and quotas to protecting their local movie industries, thereby creating an adverse legal environment for Hong Kong movies. These restrictions inevitably limited the export of Hong Kong movies. For example, countries like Indonesia and Malaysia began to impose quota or reduce the quotas for foreign imports, cutting Mandarin pictures to around 80 titles annually. Singapore and Thailand governments imposed heavy imported taxes to Hong Kong movies. Both Taiwan and Singapore governments also enforced strict censorship. The South Korean government opened the movie market not until 1986.

In response to different kinds of trading restrictions, the Hong Kong movie companies used different strategies. The first one was to set up subsidiaries in various countries to facilitate effective distribution for Hong Kong movies. For example, Shaw Brothers set up production companies in Singapore to start co-production to avoid high imported tax. Besides, both Golden Harvest and Shaw

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<sup>77</sup> Lethbridge, D (1984): The Business Environment in Hong Kong, Oxford, p.235.



Brothers set up production companies in Taiwan to invest in her local movie industry. Moreover, these companies were also actively involved in the distribution of Hong Kong movies. One typical example was Golden Harvest which owned ten theatres in Taiwan and was responsible for distributing 30 Hong Kong movies annually but only produced 3 Taiwanese movies. Cinema City also built up its own distribution network in Southeast Asia and Taiwan.

The second strategy was to enhance the competitive advantages of Hong Kong movies. Hong Kong movies are dubbed into different languages and exported to respective countries. Besides, the blockbuster and audience-conscious approach also increased the competitiveness of Hong Kong movies. That explains why Hong Kong movies prevail over Taiwanese movies in many Southeast Asian countries and secure a higher proportion of quotas rest for Chinese movies than Taiwan.

Thirdly, with the increasing market uncertainty and restriction from Southeast Asian countries, Hong Kong movie companies also diversified their revenue source by expanding other world markets. Most of them changed their production strategy by producing big budget blockbusters to hit different markets in the world.

Another strategy was to tailor-make different versions of a movie for different markets. For example, different copies are provided for Singapore with less violence and sexual scenes whereas copies provided for Taiwan are free from any political elements or 'anti-social' behaviours. By turning out different versions of a movie, Hong Kong can meet the specific needs of a particular market while reaping the benefits of economy of scale production (Bishop 1985:70).

In sum, the Hong Kong movie industry would explore every possible means throughout its history to maintain her overseas market. For example, in response to Thailand's heavy taxes in movie copy, some movie companies even adopted an



expedient way to mail the negative to Thailand and developed copies there<sup>78</sup>.

#### d. The political future of Hong Kong

The traditional political stability in Hong Kong is threatened by the emergency of the 1997 issue. This issue contributes to the internationalization of the Hong Kong movie industry and rapid expansion of overseas markets. The unpredictability arising from the 1997 issue intensifies the uncertainty in movie investment. Many investors feel that the long term prospects of this place is questionable. Most Hong Kong companies would respond to these uncertainties in the following ways: 1) internationalization of their businesses or 2) concentrate on short term investments to earn quick money. The internationalization of the Hong Kong movie industry has taken place since 1980s. Golden Harvest was the first company which took the lead to invest in international productions. The success of Cannonball Run, Turtles Ninja and so on were outstanding examples reflecting the possibility of internationalization. The Win's Company also shifted attention to the Mainland China market. Other pessimistic movie-makers who may not have the capability to internationalize their business preferred to earn quick money through blockbuster production and rapid expansion of the overseas movie markets. The 1997 mentality creates a kind of urge that motivate movie-makers to expand overseas markets.

### 6. Socio-cultural Environment:

#### a. Culture affinity and psychological needs

Throughout its history of development, Hong Kong has also established herself as a media export centre providing cultural linkage to overseas Chinese. During the World War II period, many Chinese living in the Chinese coastal regions migrated to some stable and prosperous South East Asian countries or the West to find a better living. It was estimated that nearly 40 millions Chinese, of

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<sup>78</sup> 杜耀明：〈香港電影業發展的市場限制〉《信報財經月刊》第71期 1983年頁12 To, Y M (1983): 'The limitations of overseas markets for Hong Kong movie' in Hong Kong Economic Journal Monthly, No.71, February issue, p.12.



whom most came from Cantonese regions, lived in South East Asian countries. They were culturally enclaved and marginalized in their host countries and most of them looked to Hong Kong's media for satisfaction of their nostalgic needs. This strong cultural affinity and geographical proximity enabled the unidirectional flow of the cultural products from Hong Kong to those Southeast Asian countries and the Chinatowns in the West. The export of the cultural products from Hong Kong is in fact a packaged bundle that include movies, pop songs, TV programmes, video cassette, popular novels, and cartoons.

Moreover, Shek Kei (1980) believed that the popularity of Bruce Lee's Kung-fu movies among the Southeast Asian Chinese in the early 1970s was due to the movies' ability to touch the psychological needs of the overseas Chinese<sup>79</sup>. He believed that some of these movies were clever enough to feature some of these Southeast Asian countries as background and the stories touched on the struggles and hardship faced by overseas Chinese. The internationalization of themes and shooting locations were a breakthrough at that time and this move successfully and rapidly built up rapport from overseas Chinese. This factor showed that the success of the Kung-fu movies in the 1970s was not accidental but a direct response to the psychological need of the Southeast Asian audience.

#### b. Receptivity to foreign cultural influences

Compared with Taiwan and Mainland China, Hong Kong is the only Chinese society with the least bondage with traditional culture. Tsui Hark, the famous movie producer and C W Chan, the movie commentator, both believed that the absence of a strong cultural burden makes Hong Kong movies more mouldable and receptive to new popular culture elements in other media advanced societies. Their observations are, as a result, the popular culture of Hong Kong is a mixture of old and new, East and West, US plus Japanese plus the local characteristics. The movie industry in Hong Kong has also absorbed various aspects of the movie production

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<sup>79</sup> 石 琪：〈香港功夫電影的源流和發展〉《明報月刊》1980年4月號  
頁37 Shek, Kei (1980): 'The origin and development of  
Hong Kong martial art movies' in Ming Pao Monthly No. 80, April  
Issue, p.37.



techniques from different movie cultures. These dynamic and flexible characteristics of the Hong Kong movie industry increase its adaptability and competitiveness in the world movie market.

## **7. Demographic environment:**

### **a. Demographic changes in recent decades**

The demographic factor was an indirect cause of Hong Kong's development into a regional movie export centre. As mentioned in the previous paragraphs, the insignificant population base in the early years of development basically could not sustain the normal development of an indigenous movie industry. Therefore, Hong Kong movies had to sell hard to foreign markets to meet for survival.

However, the demographic change taking place in the later years provided a favourable environment facilitating a mass consumption of the local movies. The influx of refugees after the war raised Hong Kong's population from 0.6 million in 1945 to 2.24 million in 1950. This rapid increase of population not only added a huge number of inhabitants but provided a market base for local movies. The subsequent baby boom in the 1950s and 1960s also brought a drastic demographic change to the Hong Kong population. The population of Hong Kong grew continually from 3.1 million in 1961 to 3.9 million in 1971, to 5.1 million in 1981 and came to stabilize at 5.6 million in 1991. The growth of population directly enlarged the pool of potential movie-goers. Jarvie(1977:54) estimated that people between age 10 to 35 are at the age with the peak movie attendance. His survey suggested that about 1.2 million, 39% of the total population, fell between this age range in 1961. The corresponding group of population increased to 1.7 million in 1971, 2.5 million in 1981 and stabilized at 2.5 million in 1991. This demographic trend explains why the rapid expansion of the local market in the early 1980s was possible.

Bishop also argued that the local population would prefer indigenous media products in their own dialects, instead of in foreign languages. The booming of



local popular culture in the 1970s was an evidence that the local population patronized local media products. Therefore, local movies could have comparative advantages over foreign movies in the domestic market. Besides, the overcrowded living conditions, namely, approximately 6 million Chinese residents living in an area of 1076km<sup>2</sup> also contributed to such development. Because of the shortage of recreational area and facilities, movie viewing remains one of the most popular leisure time activities in this city. It also explains why the local movie industry suffers less setback even under the widespread penetration of the video tapes or laser disc.

#### b. The Asian markets

The demographic trends in the Southeast Asia countries and the Far East provides an enormous potential market for Hong Kong movies. The post war periods witnessed a general trend of baby boom in most of the Asian countries. The total numbers of potential movie-goers in different Asian countries have increased accordingly. It is estimated that the total audience population for movie viewing in major Asian countries in the 1990s are: 54.6 million in South Korea, 148.2 million in Japan, 42.6 million in Malaysia, 32.5 million in Singapore, etc<sup>80</sup>. Similar to Hong Kong, these large audience bases create a genuine demand for entertainment. However, their indigenous movie industry were not able to produce sufficient movies to meet their domestic demands due to various constraints like capital and labour, they have to rely on imported movies. Hong Kong movies benefit as a result.

Furthermore, the political crises in recent history of China and Hong Kong resulted in a large number of overseas Chinese scattered in the Southeast Asian countries and Chinatowns in the West, which provides an enormous market for

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<sup>80</sup> Calculations are based on the figure of the annual attendance per inhabitants in the UNESCO Statistics Yearbook 1992 times the numbers of the total population of respective country. However, not all Asian countries have been covered. Therefore, it is unable to estimate the total audience base of Taiwan, Philippines, Thailand and so on.



Hong Kong movies. In fact, it is estimated that there were 60 million overseas Chinese scattered throughout the world in the 1940s. This large number of Chinese providing a favourable environment for the continued development of the Hong Kong movie industry as it compensates the limited size of the local population of Hong Kong and sustains the growth of the Hong Kong movie industry throughout its history.

## **8. Economic Environment:**

### **a. Favourable economic environment**

Bishop argued that the primary economic factor for movie production was the ability to produce units of the same perceived value at a lower cost. Hong Kong movie producers have been able to consistently provide greater perceived value to the movie audience in local language because of the relatively abundant supply of cheap labour and its ability to maintain low production costs. This economic factor facilitated the take off of the Hong Kong movie industry in the 1950s.

Jarvie explained that the laissez-faire economic policy adopted by the Hong Kong government and the close connections in economic activities among British colonies or British areas of influence explained why Hong Kong, rather than Canton, was the appropriate place to become the production and export centre of Cantonese movies.

In fact, the laissez-faire economic policy of the Hong Kong government, together with other factors like a stable government, an open society, a healthy judiciary system and so on. A favourable economic environment is the foundation on which the movie industry develops and prosperous. This is an important factor for the take off and development of the Hong Kong movie industry during the past four decades because without such an ideal environment, foreign capitals and investors would not have come to Hong Kong to invest in the movie industry. This also partly explains why countries like Singapore and Korea, whose economies are also very strong, fail to develop a movie industry of similar status to Hong Kong as



these countries adopt an interventionist government policy.

b. Rise of affluent class and changing expenditure and consumption pattern in Hong Kong and other Asian countries

The economic well-being of Hong Kong and other Southeast Asian countries in Taiwan, Singapore and South Korea in the past three decades is also a favourable factor for the production and export of the Hong Kong movies. The Asian Pacific area is the region with the fastest economic growth in the world since the 1980s. With the growth of economy of these countries, their people's living standard also improves. The affluent urban citizens therefore, find more leisure time for recreational activities, creating a demand for various forms of entertainment. It is not surprising that the video cassette, karaoke as well as the movie industry are flourishing in almost every Asian country.

Moreover, as Hong Kong and these Asian countries are getting richer and richer, their younger generations, so called 'me' generations, are more willing to spend money on enjoying life or in the pursuit of high class products. This change in expenditure and consumption patterns is also reflected in their consumption of media products. A German statistician who studied how people shifted their expenditures as their income rose observed that as family income rose, the percentage spent on housing and household operation remained constant, and the percentage spent on other categories like clothing, recreation, education and so on would increase. This Engel's law has generally been validated in subsequent budget studies (Kotler 1988:151). The sustained and impressive economic growth in Hong Kong and the Asian countries in the previous decades was accompanied by a change of life style and consumption patterns in Asia. People with higher income are more willing to spend money on watching movies or other kinds of entertainment. Therefore this change in consumption pattern provides a favourable condition for the trading of entertainment services or business like the movie industry.

The rise of affluent class and the changing expenditure patterns in Hong



Kong and other Asian countries provide an increasing demand for movies during the past two decades. However, due to various reasons, the local movie industries of these countries were not able to develop their own indigenous movie as attractive to their local audience as Hong Kong movies. Therefore, they have to rely on the importation of movies from Hong Kong to meet their local demands, clearing enhancing the export business of the Hong Kong movie industry in the past three decades.

## **9. Technological Environment:**

### **a. Introduction of sound technology**

Jarvie believed that the introduction of sound synchronized technology created a demand in South China for the Cantonese movies. The Cantonese movies can arouse in the overseas Chinese the so-called 'Cantonese culture nationalism' which was a kind of sub-culture bondage among 40-50 million of Cantonese speakers in South China and Southeast Asian countries. Shanghai, the national movie production centre before the war, was the first to realize the potential of this market and it possessed the technology and capital to start the production of Cantonese movies. When Shanghai was not permitted by the Nationalist government to produce Cantonese movies, Hong Kong began to take the lead to produce Cantonese movies. The demand of the external markets contributed to the mass production of Cantonese movies in the mid-1930s and Hong Kong had established itself as the export centre of Cantonese movies in late 1930s.

### **b. Technological advancement of the Hong Kong movie industry**

The development of sound technology in the 1930s was the first breakthrough for Hong Kong to become a movie production and export centre. In the next few decades, technology advancement of the movie industry accompanied its fast expansion. When Run Run Shaw set up the largest studio system in the 1950s, the technological experts from Hollywood and Japan be hired to introduce the most advanced equipment and technology to the Hong Kong movie industry. Besides, the continuous cooperation in overseas location movie-making or special



effects production also encouraged the technological interflow between Hong Kong and world producers which indirectly improved Hong Kong movies' production qualities and standard. It is not uncommon in the movie industry that local production would employ an art director from US, a costume designer from Japan, or a lighting expert from somewhere else. It is often that the movie negative would be developed in Japan where the professional standard in this aspect is higher. The technology in special effects is also another aspect that the Hong Kong movie has modelled on Hollywood.

In sum, it is obvious that the Hong Kong movie industry has tried very hard to improve her technologies and production skills by borrowing expertises from technological advanced countries. This technological progress is perhaps another reason that enabled the movie productions of Hong Kong to keep close to the world standards.

The above analysis is based on a demarcation or categorization of the macro-environment into several components, namely, the political/ legal environment, the socio-cultural environment, economic environment and the like. In reality, these components are interwoven and a discussion of the macro-environment would not be complete with some discussion on the interplay of these components. In the following section, I attempt to discuss some of the outcome or result of the interplay of these environments.

### 1. Socio-political environment

The emergence of the 1997 crisis in the 1980s created a psychological burden for Hong Kong people who could hardly find other better outlet to release their emotions than through going to the cinema. The study of L K Liang (1991) revealed that most of the Hong Kong movies produced in the 1980s reflected the psychological sufferings of the Hong Kong people<sup>81</sup>. He believed that the cinema

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<sup>81</sup> 梁濃剛：〈後九七意識時期香港電影的精神歷程〉

L K Liang (1991): 'The consciousness of 1997 issue in Hong Kong movies' in Hong Kong Cinema in the 80s: a Comparative Study with Western Cinema, p.18.



viewing behaviour could emancipate Hong Kong people from frustrating political conditions and disillusion after the heartbreaking June 4 incident. The emergence of 'saneless' (無厘頭) comedies and the pursuit of instant visual stimulation may be a response to the high-pressured working environment and highly unpredictable future of Hong Kong. This is another factor why the movie industry can still be sustained by the local audience.

The demand from the overseas market increased after the emergence of the 1997 issue and the June 4 incident in 1989. Scared Hong Kong people flocked to Western countries like Canada, Australia and US and brought along their Hong Kong lifestyle, including their popular culture. This demographic change contributes to the steady demand of the movie products from overseas markets. Therefore, it is not surprising that Canada has recently become one of the top ten movie importers in 1992. This phenomenon illustrated that the cultural bondage of overseas Chinese people is strong and deeprooted. These socio-political environments provide an advantageous platform for Hong Kong to become a movie export centre.

## 2. Political-economic environment

In the past three decades, the Hong Kong movie industry regarded the Taiwan market as one of the most, if not the most, important overseas markets. Therefore, the movie companies strove hard to satisfy the needs of the Taiwan market, e.g., in their choice of themes, stars and the like. They also tried to avoid doing anything that might lead to a ban on their movies to be shown in Taiwan, e.g., use of stars coming from or having connection with Mainland China or adoption of any theme that would touch on the sensitive 'Two-China' issue.

However, as 1997 issue arose in the 1980s, the political-economic integration of China and Hong Kong is increasingly changing, if not reversing, the above trend. While the Taiwan market is still emphasized, the abundant supply of resources like scenery for location shooting, outstanding talents (both front stage and backstage) and cheap production costs in Mainland China attract more and more Hong Kong



movie companies to shift their production to Mainland China. This serves to lower the production costs of some movies and therefore increases their competitive advantages in the international market. It also witnessed the popularity of some Mainland Chinese stars Li Lin Jie (李連杰) and Gong Li (巩俐) in the Hong Kong cinema, adding new attractions to Hong Kong movie both in Hong Kong and overseas countries.

Moreover, the increasing prevalent 'Greater China Circle' concept, namely, the political and economic integration of Mainland China, Taiwan and Hong Kong into a 'Greater China' also has its impact on the movie industry of Hong Kong in the past few years. For instance, production like the recent award-winning movie 'Farewell to my concubine' is a work composed of capital from Taiwan, actors and scriptwriter from Hong Kong and director from Mainland China. The international success of this movie represents a landmark in the Hong Kong movie industry in the sense that the political-economic integration of Mainland China-Taiwan-Hong Kong provides new sources (in terms of capital and talents) and markets (in terms of the 1.1 billion population of Mainland China) for the Hong Kong movie industry to further develop its status as a movie production and export centre.

The main purpose of this analytical framework is to provide a systematic analysis of the various factors, at different stages of its history contributing to the evolution of Hong Kong into a regional production and export centre. The above analysis could provide a basic model in understanding the whole issue.

Most of the variables under the macro environment are not directly related to the immediate causes for Hong Kong's evolution into a regional movie production and export centre. They only provide favourable conditions for the growth of the movie business. The variables in the micro environment are the variables that directly lead to the development of the Hong Kong movie industry. Nevertheless, these two dimensions are part and parcel and both carry similar weights of importance in contributing to the growth of the Hong Kong movie industry. In fact, different variables were active at different periods. Some variables



like the industry, customers, competitors and political are important contributing factors throughout different historical stages.



## Chapter 6: Conclusion

The process of the movie industry of Hong Kong is an interesting case for study. In this thesis, I have examined her success, firstly, by a statistical review, secondly, by a socio-historical analysis and thirdly, by an explanatory framework.

As regards the statistical review, it is clearly revealed from the empirical evidence that Hong Kong has become a regional movie production and export centre in the late 1930s and this status has been kept for five decades.

As regards the socio-historical analysis, it is clear that the evolution process of Hong Kong into a regional movie production and export centre took over several decades and various factors at different historical stages have contributed to her success as a regional movie production and export centre.

The above statistical and socio-economic analysis attempt to account for how the movie industry of Hong Kong evolves into a production and export centre. With regards to the reasons as to why the movie industry of Hong Kong evolves into a regional production and export centre, I attempt to deal with the same by an explanatory framework which is more elaborated in Chapter 5 of my thesis. As evident from the discussion, there are many variables affecting and accounting for the success of the movie industry of Hong Kong. The variables can be categorized into variables in the macro and variables in micro environments. The variables in the macro environment include the demographic, political/legal, socio-cultural and technological. The variables in the micro environment include those in the industry, the customers, the competitors, and the publics. It is also vivid from the above study that different variables vary in their importance at different stages of development of the Hong Kong movie industry.

Amongst the variables discussed in the above study, the political factor in the macro environment was crucial to the take-off of the Hong Kong movie industry. Without political crisis in Mainland China, Hong Kong could not have inherited



Shanghai's legacy in the movie industry and overcome so many obstacles in late development as prescribed by theorists of media imperialism. Political crisis also contributed to a large scale emigration of Chinese people to different parts of the world, forming Chinese diaspora who became a potential audience base for Hong Kong movies. As it is natural that this group of people welcomes movies in their own culture and languages, it increases the likelihood of the import of Hong Kong movies into the overseas countries or cities where these overseas Chinese people inhabit. In comparison, most countries do not have such diaspora of their own, as a result, they have much difficulties in deriving support from overseas markets.

The second important factor accounting for Hong Kong's success is her ability to overcome her local demographic limitation by enlarging the scope of target customers to overseas Chinese and later international audiences. The switch in production and export strategy proved to be the only means for the survival of the Hong Kong movie industry.

The third factor is the market orientation of the Hong Kong movie industry which enabled the Hong Kong movies to meet the entertainment need and satisfy the taste of both the local and overseas audience. This market orientation also enabled a high flexibility of the Hong Kong movie industry and movie companies to survive the adverse conditions at different periods of history. The shift from vertical integration in 1950s to independents in 1970s reflected the movie industry's market consciousness and its ability to adjust to meet the ever changing market demands.

The fourth factor is the active non-interventionist policy of the Hong Kong government. As a result of such policy, the private sector has no government support and therefore have to strive hard to compete with movies in other countries and sell hard in the overseas markets, thereby contributing to the establishment of Hong Kong as a movie production and export centre.

Therefore, as regards the policy implications of this thesis, the above study clearly shows that the movie industry of Hong Kong attributes much of its success



to become a regional production and export centre its ability to survive the challenges and adverse conditions it encounters as it changes over time. This can in fact be regarded as part of the same success story of the 'miracle economy' of Hong Kong. However, an important lesson can be learnt from the success of the movie industry of Hong Kong to become a regional production and export centre - free trade and free competition. In fact, the case of Hong Kong is striking if compared with other Asian countries like Korea whose government supports the movie industry strongly. In these countries, the government support may foster the development of the indigenous movie industry but it cannot increase the competitive advantages of its local movie industry in its competition with its counterparts of other countries. In the case of Hong Kong, the government adopted a non-intervention approach to the movie industry and foreign movies are free to enter the local market without any government restrictions. As a result, the movie industry of Hong Kong faces competition from its foreign counterparts both locally and internationally throughout its history of development. However, it is exactly these local and global competition that enables the industry to develop its competitive advantages as time goes by and establish herself as a regional movie production and export centre.

As regards the theoretical implications or contributions of this thesis, firstly, the traditional literature on the development of the Hong Kong movie industry are either rooted in the Neo-Marxist or non-Marxist traditions. In the case of Hong Kong, the neo-Marxist approach fails to provide a plausible framework for an understanding of its development. On the other hand, the non-Marxist approach provides a more satisfactory account of its development but it has its inadequacies in some important aspects, namely, its one-sided explanation and its ignorance to the internal dynamic of the Hong Kong movie industry.

Moreover, although there are many data concerning the Hong Kong movie, there is no work so far attempting to deal with and interpret the data in a coherent and systematic manner.



Furthermore, the existing literature on the development of the movie industry of Hong Kong are predominantly works providing a sociological concept of the industry and few works have so far attempted to analyze the movie industry of Hong Kong from a business or economic perspective. Therefore, this thesis is an attempt to provide a systematic and integrative account of the movie industry of Hong Kong. It also tries to adopt a business-or-economic-oriented perspective to analyze the movie industry of Hong Kong, as contrasted with the existing literature which predominantly adopted sociological approach.

Finally, this research attempts to construct a framework to categorize the variables affecting the movie industry of Hong Kong and on this framework to analyze the effects and interplay of these factors on the development of the movie industry of Hong Kong as it evolves into a regional production and export centre over the past four decades.

As regards to the future development of the movie industry of Hong Kong, it remains to be seen whether Hong Kong can remain a regional movie production and export centre because many of the variables or factors mentioned in the above discussion have changed that pose potential threats to the future development of the movie industry. Some of which are described as follows:

1. The vicious cycle created by big budget production:

The big budget production had successfully expanded the local and overseas markets in the early 1980s. However, the over-reliance on certain superstars and directors led to a spiral growth in casting fees and production costs. As a result of this big budget approach, movie companies have to secure box office grosses by repeating popular film genres and over-reliance on certain popular stars. This vicious cycle gives little room for developing new ideas or training new actors. However, there are signs that, the local audience are already fed up with familiar storylines, repetitive themes or similar film genres and the big budget is no longer box office panacea. The recent unexpected success of movies like '92 Legendary La Rose Noire' and the



failure of 'Saviour of the Soul' indicated that the local audience is looking for quality production, new film genres and diversified themes. On the other hand, in the overseas market, the rapid rise of the casting fee of the superstars led to a recent boycott by Taiwanese movie buyers because they found Hong Kong movies unaffordable due to the rapid increase in production cost<sup>82</sup>. However, it is obvious that the movies of Hong Kong will lose some of their competitive advantages in the long run if it continue to adopt this high budget approach.

2. The increase of exhibition circuits and the overall decline in audience attendance:

The expanding number of theatres created an increased demand for local movies. As a result, even low quality movies have to be released to meet the screens needs. However, the flooding of theatres with low quality production would only discourage the audience from entering the cinema who have alternative to watch television or video cassette.

This is reflected in the continuing shrinking audience attendance rate over the past 20 years. If this trend continues, the Hong Kong movie industry will face more difficulties in securing the local market in the short run. The loss of audience support may not have any immediate effect on the Hong Kong movie business as it can still rely on overseas markets. However, in the long run, Hong Kong movie industry would become more fragile and subject to the manipulations of overseas markets which would be detrimental to the development of this industry.

3. The rapid expansion of the laser disc/ video market:

The growing popularity of video clubs and widespread ownership of video cassette recorders pose another potential threat to the Hong Kong movie

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<sup>82</sup> 林行止：〈演員魅力與片商勢力的拉鋸價〉《信報》1993年5月24日 第2版  
Lam, H C (1993): 'The Editorial' in The Hong Kong Economic Journal, May 24, p.2.



industry while it does not necessarily imply a drop of cinema attendance, it certainly reflect the audience have more choices when they consider watching a movie. Therefore, the movie industry faces greater competition.

4. The presence of the triad societies has weakened the legal/political environment:

The year 1992 witnessed the increase of violence in the movie business. It is believed that more and more people with triad background are involved in the movie industry. The presence of these people or companies jeopardizes or threaten the previous favourable legal environment of this business, as they may resort to unscrupulous means to earn quick money. Law-abiding investors may lose confidence in the cinema business as a result. Some internal publics may also find this industry difficult to survive and prefer to work in other media industry. A similar situation occurred in Taiwan and resulted in an overall decline of the Taiwanese movie industry. If this trend persists, the future development of the Hong Kong movie industry will suffer.

5. The shift of market interests:

The beginning of the 1990s witnessed a shift of interest from the local market to the overseas markets. The revival of the 'pre-sale' practice in the late 1980s also enabled some movie companies to ignore the local market. By securing capitals from Southeast Asia or Taiwan, they could produce tailor-made movies for these markets. Therefore, even if Hong Kong is able to continue to produce and export to other areas, its movie industry will be increasingly subject to the manipulation and control of the overseas market.

Despite the aforesaid unfavourable trends, there is a major force of change which may inaugurate a new era for the Hong Kong movie industry for the years to come, namely, the political and economical integration with China in 1997. It is expected that this will lead to a surge of cooperation in the movie industries of the



two places. As described by Fonoroff (1988), the development of the Hong Kong movie industry was to a large extent, the history of its tangled interrelationship with the industry in Taiwan and Mainland China<sup>83</sup>. Past history witnessed that the Hong Kong movie industry relied on the technical and capital support from Shanghai for its takeoff. In later years, the Taiwanese market supported the continuous prosperity of the Hong Kong movie industry. In the future, it is interesting to note whether the movie industries of these three places may integrate or even merge together and become a 'greater China' movie industry. This possibility remains to be seen.

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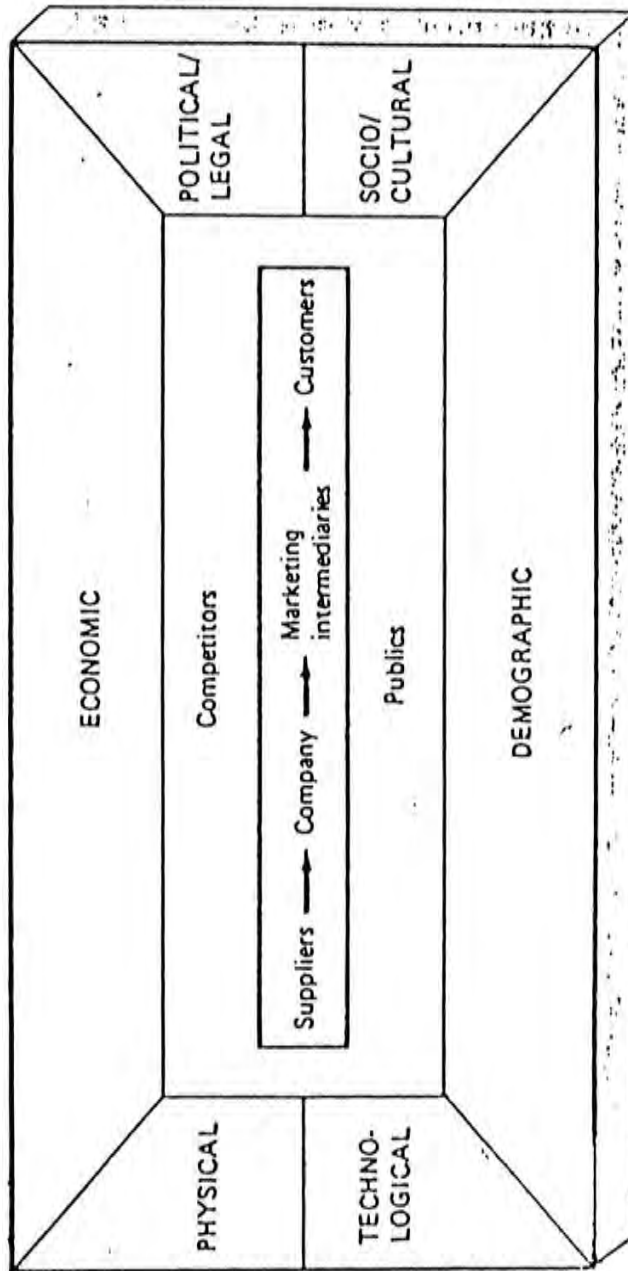
<sup>83</sup> Fonoroff, Paul (1988): 'Orientation' in Film Comment, Vol.23, No.3, May-June, p.52-3.







FIGURE 5-1  
Major Actors and Forces in the Company's Marketing Environment



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(Adapted from Kotler, Philip (1988): Marketing Management, 6th Edition, Prentice-Hall, Inc. , p.135.)



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